REDERIAKSJESELSKAPET TORVALD KLAVENESS

CONSOLIDATED FINANCIAL STATEMENTS
PR. 31 DECEMBER 2013

BOARD OF DIRECTORS' REPORT 2013

1 HIGHLIGHTS

2013 was a year characterised by growth for Torvald Klaveness. Three container vessels and two specialised selfunloader vessels were delivered from yards, and a further two container vessels, two kamsarmax dry bulk vessels and two specialised cabu vessels were ordered.

Klaveness posted an EBITDA of USD 60 million in 2013 (USD 72 million in 2012). The company had a profit before tax (EBT) of USD 31 million (loss USD 10 million in 2012). Cash flow from operations was USD 26 million. The balance sheet remains solid with a book equity including minority interest of USD 337 million at year end corresponding to an equity ratio of 43%.

The market for Klaveness' specialised vessels continued to be good in 2013. Several contracts were renewed during the year, securing a continuation of volumes carried in the past. The market for Klaveness' container vessels was still weak in 2013. Still, all of the container vessels were fully employed through the year and all contracts that expired were renewed. In the first half of 2013, Klaveness swapped one of its new builds for another container vessel at Jiangsu Yangzijiang Shipyard Co., Ltd. in China, and purchased two additional 2,500 TEU container vessels from the same yard. These three vessels will be delivered in the first quarter of 2014.

In the chartering and trading activities the number of vessels under commercial management decreased somewhat during the year. At the same time, improved rates and the market positioning in the dry bulk market contributed to significant growth in the forward values of the portfolio under management.

There have been no major incidents or disruptions to the operations of the Klaveness Ship Holding (KSH) entities in 2013.

Klaveness Container Holding AS and Klaveness Container AS were during the year established as a subsidiary group under KSH and Klaveness Bulk Holding AS and Klaveness Bulk AS were established as another subsidiary group under KSH. Following the restructuring all ship owning activities and vessels of Torvald Klaveness are now gathered under the corporate umbrella of KSH.

2 NEWBUILDING PROGRAM

In the first and second quarter of 2013, the selfunloader newbuilding MV Balto and the container vessels MV Balao and MV Ballenita were delivered from the yards. The last selfunloader newbuilding MV Balchen and the third container newbuilding MV Balsa were delivered in the third quarter. Klaveness also entered into an agreement with Jiangsu New Yangzi Shipbuilding Co. Ltd. to swap the fourth container newbuilding for another newbuilding, which resulted in both a price reduction and an earlier delivery of the vessel. All container vessels were delivered directly into short-term employment at market rates which acknowledged the vessels' improved fuel economy.

Klaveness, through Klaveness Container AS, entered into an agreement with Jiangsu New Yangzi Shipbuilding Co. Ltd. in China to purchase two 2,500 TEU container vessels currently under construction. The vessels are expected to be delivered in the first quarter of 2014. In September, Klaveness entered into a contract with the same yard for an order of two 82,000 DWT Kamsarmax dry bulk vessels including options for more vessels. The vessels are estimated to be delivered in the second half of 2015. Klaveness also entered into cooperation with Tufton Oceanic for a new building program for vessels of this type, and sold several new build contracts to a Tufton Oceanic managed account.

Towards the end of the year, Klaveness negotiated a contract with Zhejiang OuHua Shipbuilding Co. Ltd. in China for an order of two 80,500 DWT combination carriers. The order was finally concluded in January 2014. The vessels are estimated to be delivered in the third and fourth quarter of 2016 and will be part of the cabu fleet of vessels. The contract includes options for further vessels, declarable in 2014.

3 THE MARKETS

Global economic activity and world trade picked up in the second half of 2013 and global growth ended at 3.0% compared to 3.1% in 2012. The worldwide volume of exports and imports climbed 4.1% year on year as of October 2013. There have been several signs of recovery, especially for the U.S. economy, but also for the euro area which turned from recession to growth in 2013. Although the euro area still struggles on many fronts, domestic demand appears to be improving and some countries are showing sign of progress. The Chinese economy rebounded strongly in the second half of the year led by acceleration in investments and growth, and ended with a growth of 7.7%, the same as in 2012.

The dry bulk market strengthened considerably in the second half of 2013 with both higher freight rates and improving vessel values. In the first and second quarter of 2013 the Baltic Dry Index (BDI) fell and ended 13% down compared to 2012. In the second half of the year, the index rose significantly resulting in a 71% higher freight market in the second half of 2013 compared to 2012. It was a very volatile year with spot capesize rates ranging from USD 4.200/day to USD 42.200/day. The 2013 average of the 4 T/C Routes for the Baltic Panamax Index and the 6 T/C Routes for Baltic Supramax Index ended at 9.472 and 10.275 $/day, respectively. The newbuilding price index increased by 8% in 2013, still 47% lower than the 2008 peak, and the 5-year old second-hand vessel values rose by 30%.

The container market for feeder vessels stayed relatively flat in 2013 with only minor improvements in freight rates and vessel values. The average time charter rate for sub-panamax 2.500 TEU standard type was USD 7.592/day in 2013 compared to USD 6.879/day in 2012. A total of 8 sub-panamax container vessels were delivered in 2013 and 20 were scrapped, reducing the fleet from 673 to 661 vessels during the year. 23 vessels were idle at year end.

4 HEALTH, SAFETY AND ENVIRONMENT

The safety of the seafarers and the maritime operations is priority number one for Torvald Klaveness' shipping operations. There were 24 minor or medium severe injuries reported in 2013. This corresponds to approximately 1.6 injuries per ship year, up from 1.4 in 2012.

There have been no hijackings of commercial vessels in the Gulf of Aden or the Indian Ocean in 2013. This is mainly caused by the presence of military forces, use of armed guards on board, and owners more actively using best management practices. There is still piracy activity, but in 2013 it was more concentrated in the Gulf of Aden and the western part of the Indian Ocean. Several attempts on hijacking and suspicious approaches have been reported. An increased piracy activity has also been observed in Western Africa, and hijacking of vessels and/or personnel is frequently reported. Use of armed guards in this area is complicated by local rules and regulations. Hence, the vessels are today depending on own countermeasures. Most piracy incidents today are reported around Indonesia, but this is mainly a threat to anchored vessels.

The ISO 9001/14001 and OHSAS 18001 certification process of the technical management company Klaveness Ship Management AS was initiated in 2011. Klaveness Ship Management AS was certified according to all relevant standards in 2013.

Klaveness has established a centre of excellence focusing on improving the fleets' energy efficiency by continuously monitoring the vessels' performance and following up energy efficiency activities in the company. In 2013, the fleets' energy efficiency has on average improved by 4.3% compared to the baseline in 2012. This is a result of several initiatives including voyage planning and execution, technical modifications, and increased awareness in all parts of the organisation. Klaveness is dedicated to maintaining and further improving the fleets' energy efficiency in 2014. Focus on measures to reduce the vessels energy consumption has also played an important role for Klaveness in the newbuilding projects.

5 FINANCIAL RESULTS

5.1 RESULTS

Gross revenues from operation of vessels ended at USD 463 million (USD 554 million in 2012). The revenues were somewhat impacted by continued weak dry bulk and container markets. Other revenues were USD 14 million (USD 17 million in 2012).

The company had an operating profit of USD 36 million (operating loss of USD 4 million in 2012). No impairments were carried out (USD 46 million in 2012). However, a reversal of USD 7.5 million was conducted related to a swap of a container newbuilding. Other extraordinary items affecting operating profit where a positive interest rate swap development of USD 3 million, a gain on sale of newbuilding contracts of USD 3 million and restructuring charges of USD 2 million. The net result from financial items was a loss of USD 5 million (loss of USD 6 million in 2012). Profit before tax was USD 31 million (loss of USD 10 million in 2012).

At year-end 2013, the consolidated equity including minority interests was USD 337 million (USD 310 million in 2012), corresponding to a book equity ratio of 43% (50% in 2012). Book equity excluding minority interests was USD 316 million. Interest-bearing debt at year-end was USD 299 million and cash and bank deposits were USD 149 million. During 2013, Klaveness had a positive cash flow from operating activities of USD 26 million (USD 53 million in 2012). New investments in fixed assets amounted to USD 146 million, consisting mainly of yard instalments on vessels under construction.

5.2 FINANCING AND GOING CONCERN

In the second quarter of 2013, Klaveness issued a NOK 300 million senior unsecured bond. Attractive timing for prudent fleet expansion at historically low prices combined with the strategy to utilise its strong balance sheet were decisive factors. The issuance was well received in the market, resulting in favourable terms. The bond was listed on the Nordic ABM exchange. The bond issue strengthened the company's liquidity and financial capacity.

During 2013 the company secured bank financing for the two container newbuildings Banak and Bardu. The existing container vessel loans were refinanced in Klaveness Container AS in connection with the restructuring of the group companies. The kamsarmax and cabu newbuildings which were ordered in 2013/14 with delivery in 2015 and 2016 are likely to be financed well before delivery.

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Torvald Klaveness at year-end to be solid.

There have been no major transactions or events subsequent to the closing date that would have a negative impact on the evaluation of the financial position of Torvald Klaveness. A new NOK 400 million bond was issued in the first quarter of 2014, strengthening the liquidity further.

6 RISKS AND RISK MANAGEMENT

The company's business operations are exposed to risks in many areas, and the Board has a high focus on risk analysis and mitigation.

Market risks in the shipping markets relate primarily to changes in the daily rates and vessel values in relevant shipping markets as well as counterparty risk. These risks are managed and monitored according to mandates given by the Board. The company has a portfolio of currency futures maturing in 2014 and have entered into forward starting interest rate swaps, converting floating interest payments to fixed rate, as a risk mitigating activity. At year-end 2013, the fixed debt portion of total debt was close to 70%.

Operational risks in the shipping and trading activities are managed through quality assurance procedures and systematic training of seafarers and land based employees. To ensure compliance with ethical guidelines, all employees have been through a tailor-made in-house dilemma training program. Quarterly company-wide risk reviews ensure attention to risk management. The learning from the Bareli accident in 2012 led to the implementation of measures to strengthen the in-house induction program for newly recruited seafarers and to establish clearer guidelines for passage planning and through this further develop the strong safety culture.

Vessels operated by Torvald Klaveness sail in waters that are exposed to piracy attacks. All vessels sailing through exposed areas take necessary steps to mitigate the threat of such attacks.

At year end Klaveness had seven vessels under construction and is therefore exposed to the risk of delay or failure of the yards to complete the vessels**.** The newbuilding program reduces to four vessels following the delivery of three container vessels in the first quarter of 2014, and is split between two yards. These yards have been chosen for their track record and financial standing and the planning process is well underway. Klaveness will have dedicated personnel on site supervising all building processes, and tier one Chinese banks have provided refund guarantees.

There were no major unforeseen events of a financial nature during 2013. With a large part of the financing in place and a steady cash flow from the specialised vessels the liquidity risk of the company is deemed acceptable and current cash and projected operating cash flow is considered sufficient to cover the company's current liabilities.

Investigations are still ongoing by Norwegian authorities for possible irregular commission payments to a broker in the late 1990's and early 2000's related to renewals of a freight contract entered into in 1995. There is still no conclusion in this matter. At the same time Klaveness and the customer in question have agreed to settle their disputes and entered into a new long term commercial freight agreement.

7 BUSINESS AREAS

7.1 DRY BULK

Torvald Klaveness is involved in the dry bulk market through its chartering and trading activities and the pool operations. The portfolio consists of contracts of affreightment, time charters and freight derivative contracts. Results from the chartering and trading activities were somewhat below expectations but still satisfactory taking into account the high degree of volatility in the markets. Increased volatility combined with improved positioning enabled the company to grow the trading forward values substantially during the year.

The company operates two spot pools, Baumarine for panamax and post-panamax vessels and Bulkhandling for supra- and handymax vessels. The number of vessels in the pools decreased during the year as a consequence of ships being sold, redelivered and some owners taking fixed income coverage. At year-end, Baumarine operated 29 vessels and Bulkhandling 22 vessels – a net reduction of 24 vessels from the beginning of the year. However, this was to a large extent compensated by an increase in the number of ships chartered in by Klaveness Chartering. Corrective measures were taken during the year to improve earnings and realise the value creation in the pool services, visibly leading to an improved performance in the second half of the year. The Baumarine panamax pool delivered USD 200/day above the comparable 4 TC Baltic index while the Bulkhandling Supramax pool delivered slightly below the relevant benchmark.

7.2 COMBINATION CARRIERS

The cabu vessels are combination vessels that transport both dry cargo and caustic soda in the Far East, the Middle East and Australia. The cabu pool consists of six cabu vessels and one LR tanker. One external investor holds 50% in two vessels and 19% in one vessel. The pool result for 2013 remained stable at a satisfactory level. The vessels are largely employed on long term contracts of affreightment with customers in the Australian alumina industry and this accounted for about 63% of the available vessel days, while spot or market based cargoes, which are mainly north-bound from Australia to the Far East or Middle East accounted for 37% of the available vessel days in 2013.

Towards the end of the year Klaveness negotiated a contract with Zhejiang OuHua Shipbuilding Co. Ltd. in China for an order of two 80,500 DWT combination carriers, which was finally concluded at the beginning of 2014. The vessels are estimated to be delivered in the third and fourth quarter of 2016 and will be part of the cabu fleet of vessels. The contract includes options for further vessels, declarable in 2014.

Several contracts were renewed in 2013, securing continued good working relationships with key customers and contributing positively to the cabu fleet's performance going forward

Klaveness reached a global settlement with Alba (Aluminium Bahrain) where both parties waived their financial claims towards each other in January 2014. The parties re-established their business relations by entering into a new long-term freight contract.

7.3 SHIP OWNING & PROJECTS

The business area Ship Owning & Projects manages the company's ship investments other than the combination carriers, in addition to facilitating new projects.

During 2013, two new selfunloaders were delivered to Klaveness from Chengxi Shipyard in China, increasing the fleet to five vessels. The selfunloader vessels are employed in the CSL International Pool. The pool has a diversified contract portfolio and the vessels are mainly employed in North America and the Caribbean. Results were in line with expectations for the year, albeit somewhat lower than the 2012 results.

In September 2013, it was decided to seek a stock exchange listing of a potential newbuilding program under the name Klaveness Bulk ASA. This effort was however terminated as a result of changed market conditions. Instead, Klaveness entered into cooperation with the hedge fund Tufton Oceanic for parts of its dry bulk investments.

Klaveness also took delivery of three new 2,500 TEU container vessels from Yangzijiang Shipyard in China. Another three are due for delivery from the same yard in the first quarter of 2014. Adding the two existing vessels brings the container fleet to 8 vessels, ranging in size from 1,700 TEU to 3,100 TEU. The vessels were chartered out to liner companies for periods of less than 12 months, and all delivered vessels have been fully employed throughout the year. While the new vessels have been earning rates above the general market due to their fuel efficiency, rates have in general been quite weak.

In June 2013, Klaveness sold its interest in the German cement shipping company Baltrader.

8 ORGANISATION

At year end, Klaveness had 86 employees in Oslo, 26 employees in Singapore and 4 employees in Shanghai. Klaveness Maritime Agency, the manning office in Manila, had 30 employees. In Oslo 31% were female, while at the offices in Asia 47% were female. Absence due to sick leave was satisfactory, averaging 1.7% in 2013 compared to 1.8 % in 2012. Working conditions for employees are considered to be good.

In 2013 it was decided to transfer accounting services to the Manila office, leading to a downsizing in the Oslo office and an increase in staff in Manila. The transfer has led to both cost savings and a more scalable set-up.

800 seafarers are hired through manning offices in Manila and Constanta. In addition, some South African crew has been engaged. The retention rate for 2013 was 96%, indicating that Torvald Klaveness is able to attract and retain qualified seafarers. Torvald Klaveness endeavours to offer all employees, regardless of gender, religion, beliefs or nationality, equal and attractive career opportunities in the Company.

The Board of Directors expresses its appreciation of the work done by all the employees during 2013.

9 OUTLOOK

Global activity and world trade picked up in the second half of 2013 and activity is expected to improve further in 2014. According to the IMF, global growth is expected to be slightly higher in 2014, at around 3.7%, compared to 3.1% in 2013. The U.S. economy was performing well in the second half of 2013 driven by improved consumer spending, business investments and net exports. The growth in the U.S. is by IMF expected to be 2.8% in 2014 compared to 1.9% in 2013. The activity in the euro area also improved in 2013 and turned from recession to recovery. A modest pickup is generally expected in 2014 mainly driven by exports but high public and private debt will reduce growth in domestic demand. Growth in the euro area is by IMF expected to strengthen to 1% in 2014 compared to -0.4% in 2013. In China IMF expects growth to moderate slightly to around 7.5% in 2014.

Deliveries of new dry bulk vessels slowed in 2013 and will slow further in 2014. The fleet utilisation should improve further in 2014 as large capacity expansions in iron ore and coal supply coupled with improved macro conditions should increase sea freight demand more than supply. However, the potential for speed increases in the fleet will make effective supply growth elastic to demand if earnings improve to a level where eco speed is no longer beneficial. Improvement in earnings will likely decelerate once this threshold is passed and the growth in earnings is not likely to accelerate before most of the global fleet is running at full speed.

In the container market the number of newbuildings in the sub-panamax segments for delivery 2014 and 2015 is very limited and with continued high scrapping in this segment and no possibility to order for such early delivery the fleet is expected to shrink in the coming years. Global demand growth is likely to slightly outpace global container supply in 2014. However, the post-panamax and panamax segment is still weighed down by structural oversupply, and therefore the speed and the degree of cascading will stand out as important factors for any possible recovery in freight rates on the individual container tonnage segments going forward.

Klaveness expects increased volumes in contracts of affreightment and vessels under management in 2014. In addition three vessels under construction will be delivered in 2014 and will result in higher activity related to operation of owned vessels.

10 THE PARENT COMPANY

The result for the parent company, Rederiaksjeselskapet Torvald Klaveness, was a profit after tax of USD 4 million for 2013. The proposed transfer of the profit for the parent company is shown below:

Dividend	USD 3 million
Transfer to other equity	USD 1 million

December 31, 2013
Oslo, March 21, 2014

Trond Harald Klaveness
Chairman

Christian Andersen
Board member

Baard Haugen
Board member

Christian Rynning-Tønnesen
Board member

Lasse Kristoffersen
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December (USD '000)		2013	2012
Gross revenues from operation of vessels	Note 7	463 399	553 639
Voyage related expenses and distribution of pool result	Note 9	-340 897	-426 561
Net revenue from operation of vessels		**122 502**	**127 078**
Net income/(loss) from physical and financial freight agreements	Note 6	9 580	5 574
Other operating revenues	Note 8	4 637	11 916
Total operating revenues		**136 719**	**144 567**
Operation of vessels	Note 9	-37 672	-28 432
Salaries and social expenses	Note 10, 35	-25 776	-29 473
Other operating and administrative expenses	Note 11	-12 853	-15 005
Operating expenses		-76 302	-72 910
Operating profit/(loss) before depreciation and impairment		**60 418**	**71 657**
Ordinary depreciation fixed assets	Note 14	-31 984	-30 176
Impairment/reversal of impairment fixed assets	Note 14, 15	7 449	-45 916
Depreciation and impairment of fixed assets		-24 535	-76 092
Operating profit/(loss)		**35 882**	**-4 435**
Income/(loss) from associated companies	Note 16	-199	722
Net interest income/(expenses)	Note 12	-6 077	-1 957
Other financial income/(loss)	Note 13	1 686	-4 572
Net currency gain/(loss)		-2	69
Financial income and expenses		-4 591	-5 738
Profit/(loss) before taxes		**31 291**	**-10 173**
Taxes	Note 34	-4 164	5 049
Profit/(loss) for the year from continuing operations		**27 127**	**-5 124**
Profit/(loss) for the year from discontinued operations	Note 23	-2 243	-1 613
Profit/(loss) for the year		**24 883**	**-6 736**
Attributable to:			
Majority interest of continuing operations		23 496	-11 825
Minority interest of continuing operations		3 631	6 701
Profit/(loss) for the year from continuing operations		**27 127**	**-5 124**
Majority interest of discontinued operations		-2 243	-1 613
Minority interest of discontinued operations		0	0
Profit/(loss) for the year from discontinued operations		**-2 243**	**-1 613**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2013	2012
ASSETS			
Fixed assets			
Deferred tax asset	Note 34	16 575	20 126
Goodwill		-	42
Total intangible fixed assets		**16 575**	**20 167**
Vessels	Note 14	423 753	241 950
Newbuilding contracts	Note 15	28 356	78 194
Other assets	Note 14	3 920	6 586
Total tangible fixed assets		**456 029**	**326 729**
Investments in associated companies	Note 16	59	9 744
Pension plan assets	Note 35	3 590	2 030
Other long-term receivables		435	568
Total financial fixed assets		**4 084**	**12 341**
Total fixed assets		**476 688**	**359 237**
Current assets			
Bunkers on board vessels	Note 17	52 554	68 740
Accounts receivable	Note 18	41 270	32 185
Prepaid expenses	Note 19	16 273	7 566
Other short-term receivables	Note 20	45 384	20 444
Bonds and bond funds	Note 21	8 063	8 483
Cash and bank deposits	Note 22	148 854	120 628
Total current assets		**312 398**	**258 046**
Total assets		**789 087**	**617 283**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital (100 shares of NOK 509 982)		8 154	8 154
Other paid-in equity		49 052	49 052
Total paid-in capital		**57 206**	**57 206**
Other equity		258 304	238 472
Total retained earnings		258 304	238 472
Total equity before minority interests	Note 5	**315 510**	**295 678**
Minority interests		21 137	14 574
Total equity including minority interests	Note 5	**336 647**	**310 252**
Long-term liabilities			
Provisions	Note 23	6 560	7 505
Pension liabilities	Note 34	4 522	5 291
Total provisions		**11 083**	**12 796**
Mortgage debt	Note 24	186 863	115 771
Long-term bond loan	Note 25	51 444	0
Other long-term interest-bearing liabilities	Note 26, 36	11 679	16 359
Total long-term interest-bearing liabilities		**249 987**	**132 130**
Total long-term liabilities		**261 069**	**144 926**
Current liabilities			
Accounts payable	Note 27	34 261	31 876
Accrued expenses	Note 28	33 032	13 496
Taxes payable	Note 34	1 543	5 383
Provision dividends		3 200	0
Short-term interest-bearing debt	Note 29, 36	48 858	25 041
Derivatives	Note 21	2 836	6 114
Other short-term liabilities	Note 30	67 641	80 194
Total current liabilities		**191 371**	**162 105**
Total liabilities		**452 440**	**307 031**
Total equity and liabilities		**789 087**	**617 283**

December 31, 2013
Oslo, March 21, 2014

Trond Harald Klaveness
Chairman

Christian Andersen
Board member

Baard Haugen
Board member

Christian Rynning-Tønnesen
Board member

Lasse Kristoffersen
Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

USD '000		2 013	2012
Cash flow from operating activities			
Net profit / loss (-) before tax		29 048	(11 786)
Taxes paid / repayment of taxes paid under previous shipping regime		(4 476)	(4 355)
Depreciation, impairment and reversal of impairment		24 535	76 092
Loss / gain (-) on sale of discontinued operations		2 243	1 613
Loss / gain (-) from realisation of vessels and other fixed assets		(514)	(8 707)
Loss / gain (-) from associated companies		199	(722)
Unrealized loss / gain (-) on financial instruments		(3 279)	3 257
Amortization of upfront fees bank loans		278	133
Other non-cash items		815	116
Decrease / increase (-) in prepayment to clearing (FFA's)		(2 390)	(382)
Decrease / increase (-) in current assets		(26 271)	11 855
Increase / decrease (-) in current liabilities		10 344	(12 807)
Increase / decrease (-) in provision for loss on contracts		(3 188)	(2 412)
Payments to pension plan		(1 802)	1 169
Net cash flow from operating activities (1)		**25 543**	**53 064**
Cash flow from investing activities			
Investments in vessels and newbuilding contracts		(141 604)	(52 492)
Docking and other investments vessels		(2 471)	(7 850)
Investments in real estate and other assets		(2 316)	(3 464)
Realisation of vessels and newbuilding contracts		-	50 051
Sale of real estate and other assets		2 914	-
Sale/Demerger of subsidiaries		(706)	-
Cash from associated companies and other investments		11 080	597
Cash paid to associated companies and other investments		-	(226)
Decrease / increase (-) in other long-term receivables		133	34
Net cash flow from investing activities (2)		**(132 969)**	**(13 349)**
Cash flow from financing activities			
Increase in mortgage debt		111 913	41 100
Repayment of mortgage debt		(28 251)	(53 131)
Increase in long-term bond loan		52 250	-
Increase / decrease (-) in other long-term liabilities		(742)	(1 643)
Payment of financing fees		(2 919)	(1 350)
Capital injection from minority interest		12 500	-
Dividend to minority interests		(9 522)	(8 854)
Currency effects			
Net cash flow from financing activities (3)		**135 230**	**(23 878)**
Net increase / decrease (-) in cash (1+2+3)		**27 804**	**15 838**
Cash and cash equivalents at January 1		128 127	112 289
Cash and cash equivalents at December 31		155 931	128 127
Net increase / decrease (-) in cash		**27 804**	**15 838**
Specification of cash and cash equivalents:			
Cash and bank deposits		148 854	120 628
Bonds and other cash equivalents	Note 21	7 077	7 499
Cash and cash equivalents at December 31		**155 931**	**128 127**

NOTE 1: ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). The most significant accounting principles are described below.

Changes in accounting principles

There are no changes in accounting principles in 2013.

Basis of consolidation

The consolidated financial statements include the parent company Rederiaksjeselskapet Torvald Klaveness, and all its subsidiaries. Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Controlling interest is normally gained when such company owns, directly or indirectly, more than 50 % of the shares in the company and/or is capable of exercising actual control over the company. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests equal the share of profit/loss and net assets in the subsidiaries held by owners external to the group. Minority interests are presented in the income statement and in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

The financial statements of all subsidiaries are prepared for the same reporting period as the parent company. Where accounting principles of subsidiaries are different from the principles of the group, figures are restated in order to be in line with group accounting principles. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transferred assets are impaired.

Business combinations and goodwill

Acquisition of subsidiaries is accounted for using the purchase method. Under the purchase method of accounting the cost of the business combination is allocated to the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net of identifiable assets acquired and liabilities assumed. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in an associated company is included under the investment in associated companies. For valuation, refer to the principle concerning the valuation of intangible assets.

For business combinations that occur in stages by successive share purchases, the fair value of the acquired entity's assets and liabilities, including goodwill, are measured on the date that control is obtained. If the value of previously held shares has increased at the control date, the increase constitutes an added value or goodwill that is booked directly in equity. If the value of previously held shares has decreased, this is accounted for as impairment. Only goodwill for the majority is recognised in the financial statements.

Classification of assets and liabilities

Current assets and short-term liabilities include items due less than one year from the balance sheet date, as well as items due more than one year from the balance sheet date, that are related to the operating cycle. Assets intended for permanent ownership or use and receivables with maturities exceeding one year from the balance sheet date are presented as fixed assets. Liabilities with maturity less than one year from the balance sheet date are classified as current. All other debt is classified as long-term debt. The first year's repayment of long-term debt is classified as current liabilities in the balance sheet.

Valuation of tangible assets and liabilities

Non-financial fixed assets are stated at historical cost, less subsequent depreciation and impairment.

Tangible assets with a limited useful life are depreciated according to a depreciation schedule based on best estimates of expected useful life and taking into account each asset's wear, tear and age. The useful life of a vessel is normally set to 20 or 25 years. Tangible assets are impaired when the carrying value of the asset exceeds the recoverable amount, and it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Each vessel/ newbuilding contract is considered as one identifiable cash flow.

Newbuilding contracts (vessels under construction) are capitalized in line with the payments to the yard. In addition to contractual payments, inspection costs, interest expenses and other expenses during the construction period are capitalized. To the extent vessels under construction are financed through equity until delivery, interest on such funding is neither computed nor capitalised.

Newbuilding contracts are impaired when the carrying value exceeds the recoverable amount. For newbuilding contracts with delivery date more than one year after the balance sheet date, recoverable amount is defined as the higher of the net present value of estimated future cash flows, or a firm offer on the contract if such exists (with comparable delivery date). For newbuilding contracts with delivery date less than one year after the balance sheet date, recoverable value is defined as for existing vessels.

Current assets are valued at the lower of cost and net realisable value. Accounts receivable are related to operations and consist of trade receivables, other short-term receivables and prepayments. For valuation of receivables, see section “Receivables”.

Loans are recognised at cost (the fair value of the consideration received) net of transaction costs associated with borrowing.

Accounts payable are liabilities related to operations (trade creditors, unpaid public taxes and charges, vacation pay etc.) and other short-term payables. All these items represent interest free liabilities.

In accordance with the Norwegian Accounting Act, some items are valued according to special valuation rules. A more detailed presentation of these is provided under each principle below.

Valuation of intangible assets and liabilities

Intangible assets with a limited useful life are depreciated according to a depreciation schedule which has been determined based on best estimates of expected useful life. Intangible assets are written down to the recoverable amount if it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset given that the asset is to be held by current owner under current conditions.

Goodwill is depreciated over 5 years, in accordance with Norwegian generally accepted accounting principles. Goodwill arising from acquisition of an interest in associated companies is included under the investment in associated companies and is tested for impairment as part of the carrying amount of the investment. Goodwill arising from acquisition of subsidiaries is tested annually for impairment and carried at cost less impairment and accumulated depreciation. Impairments on goodwill are not reversed. Gain or loss on the sale of a business includes the carried amount of goodwill related to the sold business.

Estimates and assumptions

Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures will generally differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis. The group uses estimates and assumptions in connection with the calculation of pension liabilities, the determination of accruals for contract losses and for losses on receivables, the calculation of risks related to guarantees for contract fulfillment and the determination of fair market value for the purpose of assessing added values as well as impairment of assets.

Revenue recognition

The group generates most of its revenues from shipping activities.

Gross revenues from operation of vessels comprise both gross voyage revenues from the pools operated by the group, as well as income from vessels owned by the group. Vessels owned by the group are either operated under time charter contracts or performing contracts of affreightment. The time charter contracts are both with third parties and with pools.

Income from vessels

The group recognises voyage revenues and expenses on a pro rata basis over the estimated length of each voyage, discharge-to-discharge. At the time of discharge, management normally knows the next load port and expected discharge port, so that the discharge-to-discharge calculation of voyage revenues and expenses can be estimated with a reasonable degree of accuracy. For vessels without contracts in place at discharge, no revenue is recognised until a new contract is entered into. Voyage related expenses incurred for vessels in idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognised over the time when the services are performed. Demurrage and dispatch are taken into account if it is probable that a claim will occur.

Pool income
The chartering pools in the group generate their results by operating pool vessels in the market, as well as by conducting market operations. Market operations comprise contracts of affreightment, time charters, and forward freight agreements. Forward freight agreements are used to hedge a portion of the spot days in the pools, refer to the principle concerning hedging below.

For vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool participant on a time charter equivalent basis in accordance with an agreed-upon formula, such that the net result of the pools, in addition to service revenues, is zero (with exception of net results from the group's vessels in the pools). The same revenue and expense recognition principles as stated above are applied in determining the pool net operating revenues. Total revenues, expenses, assets and liabilities of the pools operated by the group are included line by line in the consolidated financial statement.

Gains and losses arising from sales of tangible assets are presented as part of the operating profit or loss.

Other income is recognised when it is earned (the earned income principle).

Financial investments
Subsidiaries as defined above are consolidated in the group accounts on a 100 % basis. Joint ventures are companies whose activities represent an integrated part of the group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the group's ownership share is between 20 % and 50 %. These investments are accounted for in the group accounts according to the proportionate consolidation method. Associated companies are defined as entities in which the group has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognised in the group accounts according to the equity method. Other long-term investments are stated according to the cost method. Short term investments are valued at the lower of cost or fair market value.

In the parent company accounts, all long-term investments are stated according to the cost method, while short-term investments are valued at the lower of cost or fair market value.

Investments in financial current assets
Financial current assets, listed shares and bonds included in a trading portfolio and traded on a regular basis, are recorded at market value. Short-term liquid investments defined as cash equivalents are financial instruments that can be converted instantly into a known amount of cash and have a maximum maturity of three months.

Periodic maintenance
The cost of periodic maintenance and docking of vessels is capitalised and depreciated over the period until the next docking, normally 30 months. Correspondingly, a part of the cost price of vessels acquired is separated for depreciation purposes and capitalised as docking. Expenses for current maintenance are charged to operating profit or loss whenever such maintenance takes place. Depreciations of docking are included in ordinary depreciations; and docking is classified along with the relevant vessel in the balance sheet.

Leasing agreements
Leasing agreements are classified as operating leases or financial leases according to the terms of the agreement.

A leasing agreement is classified as an operating lease when the lessor has most of the economic benefits and risks associated with the underlying asset. Operating leases are expensed on a straight-line basis over the leasing period.

Leasing agreements are classified as financial leases when the main share of the economic benefits and risks associated with the underlying asset is with the lessee. The group does not have any financial leasing agreements.

Derivatives
The group uses a set of financial instruments (such as forward freight agreements, bunkers contracts, foreign currency contracts and interest rate swaps) either to manage financial risks (hedging) or within

given mandates to maximise profit (non-hedging). The purpose of the derivatives determines which accounting principle is applied.

Hedging
A hedging instrument is an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of an underlying object (asset/liability). Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the hedging instrument are recognised immediately in the profit and loss account.

Non-hedging
Foreign currency contracts not considered as hedging are measured at fair market value. All other derivatives entered into for non-hedging purposes are recorded at the lower of historical cost or fair market value.

Physical and financial freight contracts
Physical and financial freight contracts entered into for the purpose of achieving gains through short-term fluctuations in market rates are managed and valued as a single portfolio. The portfolio is valued at the lower of acquisition cost and fair market value. Both physical and financial freight contracts are valued against the forward curves as of 31 December. The fair market value of these contracts also includes estimated future losses due to counterparty risk. Loss provisions are made to the extent that the fair market value of the portfolio is negative. Any positive value exceeding acquisition cost is not recognised.

Income tax (for companies within the Norwegian tonnage tax system)
Operating profits related to shipping activities accepted within the Norwegian tonnage tax system are subject to tax exemption. Income tax is paid on net financial income. In addition the group pays tonnage tax based on net tonnage of vessels. This tax is classified as a vessel operating expense in the profit and loss account.

Income tax (for companies under ordinary taxation rules)
Tax expenses in the profit and loss account comprise the sum of tax payable for the year and changes in deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated at 27 % on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at year-end. Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax assets are recognised in the balance sheet only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

From January 1, 2014, the corporate tax rate in Norway is reduced from 28 % to 27 %. As a consequence, the valuation of deferred tax and deferred tax assets has changed. The effect from the change is included in the tax expense in 2013, as a change in estimate.

Foreign currency
The presentation currency for the group is the US dollar (USD). The majority of the group companies, including the parent company, have USD as their functional currency. Each entity in the group determines its own functional currency in accordance with NGAAP and items included in the financial statements of each entity are measured using that functional currency.

Transactions in currencies other than the functional currency are translated into functional currency using the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into functional currency using the exchange rate in effect on the balance sheet date. Exchange differences arising from translations into functional currency are recorded in the income statement. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the functional currency using the historical exchange rate. Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate on the date of the determination of the fair value.

Where the functional currency of consolidated entities differs from the functional currency of the group, income statements are translated into USD using the average exchange rate for the year. Exchange differences arising on the translation are recognised directly in equity. On disposal of foreign operations, the accumulated exchange gain/loss recognised in equity relating to that particular foreign operation is recognised in the income statement.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. (The average exchange rate was 5.8770 in 2013 (2012: 5.8191)). At year-end 2013, an exchange rate of 6.0815 (2012: 5.5912) was used for the valuation of balance sheet items.

Receivables
Short-term trade receivables are recorded at their nominal value less provisions for bad/doubtful debt, as an approximation of their fair value. The group regularly reviews its accounts receivable, estimates the amount of unrecoverable receivables each period and establishes an allowance for unrecoverable amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information.

Provisions for losses on receivables more than 180 days past due are recorded at 50 percent of their nominal value. The 50 percent rate has been arrived at based on experience. Further, provisions are recorded for major unpaid receivables (defined as receivables in excess of USD 100,000) based on individual assessments.

Bunker inventories
Inventories, which consist primarily of bunker fuel, are stated at cost. Cost is determined on a first-in, first-out (FIFO) basis. Bunkers is recognised in the balance sheet when the company has legal ownership of the stock. As a main rule, ownership remains with the vessel owner when vessels are hired in on time charter contracts. Instead of transferring ownership of the bunkers, the vessels are to be returned to the owner at the end of the contract period with the same amount of bunkers onboard.

For time charter-in vessels that are hired out on time charter-out contracts, bunkers onboard the vessel at the time of hiring out is recognised as bunkers (if legal ownership is established), although some of this may have been consumed at the balance sheet date.

Torvald Klaveness has legal ownership of the bunkers onboard vessels in the pools.

From 2013, lub oil on board vessels is included in the balance sheet as inventories. Lub oil is valued at acquisition cost based on a first-in first-out (FIFO) principle.

Related parties
Transactions with related parties are conducted at arm’s length on market terms. Related parties are defined to include the group’s top management, the Board of directors and stockholders of Rederiaksjeselskapet Torvald Klaveness, as well as the ultimate owners of the group and any other companies that the ultimate owners control.

Provisions for contingent liabilities
A contingent liability is recognised once the group has a legal or actual financial liability that is likely to be paid at a future date and the amount of the liability can be reliably estimated. Restructuring costs are recognised once the decision to implement such measures has been made and announced. The amount of the provision is the estimated expense of the restructuring. Estimated expense is valued at discounted expected future cash flows. Expected future cash flows are discounted by a pre-tax risk-free interest rate, with the addition of a risk premium to reflect any uncertainty associated with the allocation.

Pensions
Pension costs and pension liabilities are estimated on the basis of linear earnings. The calculation is based on assumptions regarding discount rate, future wage adjustments, pension benefits and other payments from the national pension plan, future returns on the pension assets and actuarial assumptions for deaths, voluntary resignation etc. Pension assets are valued at fair value. Changes in the pension liabilities due to changes in pension plans are included in this years pension costs. Changes in the pension liabilities due to transfer from contribution plans to defined benefit plan are recognized as reduced pension assets according to the value of the paid-up policy. If the accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions exceed ten percent of the higher of pension obligations and pension plan assets, the excess amount is recognised over the estimated average remaining service period. Currency gain/loss related to net pension assets is presented as part of the pension costs.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Events after the balance sheet date
The values of assets and liabilities that are recorded in the balance sheet may be based on assumptions and uncertainties. Events that occur after the balance sheet date and that result in new information that leads to a reassessment of an item of asset or liability, are accounted for accordingly. Examples of such events after the close of the balance sheet date are legal decisions, payments and settlements received from customers, final determination of bonuses and other performance-dependent remuneration.

NOTE 2: SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Torvald Klaveness comprises several subsidiaries, joint ventures and associated companies.

Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition. Where accounting principles of subsidiaries are different from the principles of the group, figures are restated in order to be in line with group accounting principles.

Joint ventures are companies whose activities represent an integrated part of the group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the group's ownership share is between 20 % and 50 %. Joint ventures are recognised according to the proportionate consolidation method.

Associated companies are entities in which Torvald Klaveness has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognised according to the equity method.

Unless otherwise stated, the companies are located in Oslo, Norway.

Subsidiaries:

Company name	Ownership interest per 31 Dec, 2013	Ownership interest per 31 Dec, 2012
Klaveness Asia Pte Ltd. (Singapore)	100 %	100 %
Amundsen Shipping Pte Ltd. (Singapore)	100 %	100 %
Adrien Shipping Pte Ltd. (Singapore)	100 %	100 %
Antarctica Shipping Pte Ltd. (Singapore)	100 %	100 %
Baumarine AS	100 %	100 %
Bulkhandling Handymax AS	100 %	100 %
T Klaveness Shipping AS	100 %	100 %
Banasol, Inc. (Monrovia, Liberia)	50 %	50 %
Cabu Bangor, Inc. (Monrovia, Liberia)	100 %	100 %
Banastar, Inc. (Monrovia, Liberia)	50 %	50 %
Cabu V Investment Inc. (Monrovia, Liberia)	95 %	95 %
Cabu VI Investment Inc. (Monrovia, Liberia)	81 %	81 %
Klaveness Ship Holding AS	100 %	100 %
Klaveness Cement Logistics AB (Stockholm, Sweden)	100 %	100 %
KCL Shipholding AS	100 %	100 %
Baltrader Schiffahrtsgesellschaft GmbH & Co, KG (Germany)	0 %	60 %
Baltrader Shipping Company Ltd. (Cyprus)	0 %	60 %
AS Klaveness Chartering	100 %	100 %
Klaveness Shipping (Shanghai) Co. Ltd. (Shanghai)	100 %	100 %
Klaveness Shore Services Inc. (Manila, Philippines)	100 %	0 %
Cabu Chartering AS	100 %	100 %
Bulkhandling Beltunloader AS	100 %	100 %
Klaveness Ship Management AS	100 %	100 %
Bulktransfer, Inc. (Monrovia, Liberia)	100 %	100 %
AS Bulkhandling	100 %	100 %
Klaveness Re S.A. (Luxembourg)	0 %	100 %
Guinomar (Conakry, Guinea)	50 %	50 %
Klaveness Finans AS	100 %	100 %
Klaveness AS	100 %	100 %
Klaveness Bulk Holding AS	100 %	0 %
Klaveness Bulk AS	100 %	0 %
Klaveness Container Holding AS	50 %	0 %
Klaveness Container AS	50 %	0 %

Joint Ventures:

Company name	Ownership interest per 31 Dec, 2013	Ownership interest per 31 Dec, 2012
Barklav (Hong Kong) Ltd.	50 %	50 %

Associated companies:

Company name	Ownership interest per 31 Dec, 2013	Ownership interest per 31 Dec, 2012
Baltrader companies	0 %	18.45%-50%
Klaveness Maritime Agency Inc.	24,96 %	24,96 %

Torvald Klaveness (via AS Klaveness Chartering) had partial ownership in nine German KGs, that (through 100 % owned special purpose companies) owned nine dry bulk vessels transporting cement. The Baltrader investment was sold in 2013, refer to note 16 for further details.

NOTE 3 : MAJOR AND SUBSEQUENT EVENTS

2014: Subsequent events

Subjects for a contract for two 80,500 dwt Cabu vessels was lifted in January 2014 and the first installment paid. The two vessels have been ordered at Ouhua Shipyard in China with expected delivery in 2016.

A settlement with Alba was announced in January, whereby both companies agreed to settle their disputes and a new long term freight contract was entered into.

The container vessel MV Baleares was delivered in January.

In March, Klaveness Ship Holding AS issued a NOK 400 million bond with 6 years maturity; and repurchased NOK 100

2013: Major events

Vessel deliveries
Five vessels were delivered in 2013; two 71,900 dwt selfunloaders and three 2,500 TEU container vessels.

New investments
One container new build was swapped for another vessel at YZJ shipyard in China, and two further 2,500 TEU vessels were acquired from the yard in the same transaction. In connection with the swap, USD 7.5 million of the impairment on Baleares was reversed. Two 82,000 dwt Kamsarmax dry bulk vessels were ordered at the same yard for 2015 delivery. A further gain of USD 3.0 milllion was realized in connection with novating part of the Kamsarmax new build program to a Tufton Oceanic managed entity. A NOK 300 million bond was issued by KSH in the first quarter to fund new investments.

Re-organisation of corporate structure
All ship owning acitivites were in 2013 organized under the ownership of Klaveness Ship Holding AS, and two new subsidiaries, Klaveness Bulk AS and Klaveness Container AS, were established for the ownership of dry bulk and container vessels (each with a separate holding company).

Internal restructuring
The accounting function was transferred to Klaveness' Manila office in 2013. In connection with this move systems and processes were upgraded, and a redundancy program was carried out in the beginning of the year, leading to a

2012: Major events

Grounding of MV Bareli
On the evening of 15 March 2012, MV Bareli, owned by Klaveness Asia's subsidiary Antarctica Shipping Pte. Ltd., went aground outside the port of Fuqing, South China. Torvald Klaveness declared a constructive total loss of the vessel towards the lead insurance Company. Klaveness Ship Management AS is Ship Manager for MV Bareli, and has been assisting the shipowner in the rescuing process, together with the Insurance company and the Chinese authorities. The vessel was fully insured and a net accounting gain of USD 8.7 million was recognised in 2012 due to the insurance settlement.

Possible irregularities in commission payments
In 2012, Klaveness made public that the company had notified Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime) regarding possible irregularities in commission payments to a broker in the Middle East. Refer to note 31 for further details.

NOTE 4: OPERATIONAL AND FINANCIAL RISKS

Torvald Klaveness operates globally and in a capital intensive, business cycle sensitive industry. The group is exposed to both operational and financial risks.

Operational risks

Operational risks are mainly related to the operation of vessels under the management of Klaveness Ship Management AS, to the execution of cargo contracts and time charter contracts in AS Klaveness Chartering, and to the management of spot pools. Vessel management is governed by quality procedures that reflect the requirements of IMO, flag states and port states. Quality and safety audits are performed at regular intervals and significant effort is put into the training of seafarers to comply with standards. The chartering and trading and pool management activity is governed by well defined and board approved mandates, management procedures and reporting requirements. Operational risks are also covered by insurance where appropriate, including insurance against property loss, revenue loss and liability risks.

Financial risks

Financial risks may be classified as market risks, credit or counterparty risks, interest rate related risks, currency related risks, and liquidity risk.

Market risk

Shipping market risks are generated by several activities in Torvald Klaveness. Ownership of vessels involves risks related to vessel values, future vessel employment, revenues and costs. These risks are partly managed through long-term time charter contracts and contracts of affreightment covering a large part of the vessel capacity. The trading of physical and financial freight contracts conducted in AS Klaveness Chartering involves risks related to movements in the overall market price levels as well as to the correlation between sub-markets, in particular the spread between the Atlantic and Pacific basins. These risks are monitored on a daily basis and are governed within a Value at Risk and maximum position mandate.

Credit risk

Counterparty risk is generated by service deliveries to customers and by trading in physical and financial freight agreements, as well as by investments in vessels employed on bareboat charters or time charter contracts to other ship owners. Counterparty exposure limits are defined and monitored per counterparty and provisions against possible future losses are made to the extent that the risks in the portfolio can be quantified. Full provisions are made against counterparties that default on their payment obligations. A provision for losses on other outstanding amounts is made based on age and individual evaluations of each item.

Further, Torvald Klaveness is exposed to credit risk through its deposits and a covered bond fund. Deposits are made with financial institutions/banks that have A/AA rating while the bonds in the covered bond fund in average are AA rated.

Foreign exchange risk

Torvald Klaveness' functional currency is USD. Some of the cash, bank deposits, bonds and debt are denominated in NOK. Torvald Klaveness' income is mainly in USD, while some costs also are in NOK. Going into 2013, Torvald Klaveness had no currency futures. However, the administration had a mandate given by the Board to purchase up to NOK 300 million selling USD. During 2013, NOK 50 million of the mandate was utilized and by the end of 2013, NOK 10 million of the futures had not expired. The transactions had a positive result of USD 0.0 million in 2013. Both open positions related to NOK costs, balance sheet positions in NOK and the currency futures are exposed to USD/NOK movements. In 2013, a subsidiary of Torvald Klaveness issued a bond of NOK 300 million. The USD value of the bond is hedged at USD 52.250.000.

The financial assets and liabilities have the following currency distribution :

Financial liquid assets nominated in USD:	USD 143 million
Financial liquid assets nominated in other currencies:	USD 14 million
Interest-bearing debt in USD:	USD 216 million
Interest-bearing debt in other currencies:	USD 12 million
Bond loan (denominated in NOK, fully hedged to USD):	USD 52 million

Interest rate risk

Interest risk is related to interest-bearing investments and borrowings. Torvald Klaveness to some extent manages these positions on a net basis and positions have been taken in Klaveness Finans AS to partly neutralise the exposure. The Corporate Treasury Department may take market positions in the interest rate market within restricted mandates. As per December 31, 2013 approximately 66 % of the floating interest bearing debt was fixed through interest rate swap agreements, partly posted as hedges and partly as speculative swaps. The swap agreements were entered into in 2008, 2011 and 2013 and mature in 2018. In 2013, hedges were entered on the bond issue, as well as a portion of the mortgage debt on the container fleet. The total mark-to-market value of interest rate swaps was per December 31, 2013 a negative USD 2.9 million (all relating to non-hedging swaps and hence fully recognised in the balance sheet). The effect on profit in 2013 is a positive effect of USD 3.2 million, reflecting a positive development in the mark-to-market value.

Liquidity risk

Torvald Klaveness keeps its liquidity reserves mainly in bank deposits, as time deposit and in money market funds with high liquidity. The time horizon of these deposits depends on the underlying forecasted need for liquidity in Torvald Klaveness. The liquidity risk is considered to be limited, as the portfolio is well diversified and in liquid assets such as on accounts and time deposits.

The vessels being delivered in 2013 and 2014 are partly financed by bank loans. During 2013 the company refinanced two cabu vessels and issued a bond, thereby significantly improving liquidity and the company’s financial capacity. Liquid reserves are considered to be adequate for all needs in the foreseeable future.

NOTE 5: EQUITY

USD '000	Share capital	Other paid-in capital	Other equity	Total equity excluding minority	Minority interests	Total equity including minority
Equity 1 January 2012	8 154	49 052	251 478	308 684	16 791	325 475
Profit for the year			-13 437	-13 437	6 701	-6 736
Dividends to minority interest			0	0	-8 854	-8 854
Effect from currency translation			154	154	0	154
Other changes			277	277	-63	213
Equity 31 December 2012	**8 154**	**49 052**	**238 472**	**295 678**	**14 574**	**310 252**
Equity 1 January 2013	8 154	49 052	238 472	295 678	14 574	310 252
Profit for the year			21 252	21 252	3 631	24 883
Proposed dividend			-3 200	-3 200	0	-3 200
Increase in minority interest			0	0	12 500	12 500
Dividends to minority interest			0	0	-9 522	-9 522
Effect from currency translation			1 405	1 405	0	1 405
Other changes			375	375	-47	327
Equity 31 December 2013	**8 154**	**49 052**	**258 304**	**315 510**	**21 137**	**336 647**

Klaveness Container Holding AS received a capital injection of USD 25 million in 2013, of which USD 12.5 million were from a minority shareholder.

Shareholders	Ownership	Shares
THK Holding AS	30 %	30
THK Partner AS	26 %	26
MMK Holding AS	22 %	22
JWI Holding AS	22 %	22
TOTAL	**100 %**	**100**

NOTE 6: PHYSICAL AND FINANCIAL FREIGHT AGREEMENTS

Torvald Klaveness takes positions through physical and financial freight contracts including time charter agreements, forward freight agreements, contracts of affreightment and options. The positions in physical and financial freight agreements are managed as one portfolio. The portfolio is managed and owned by the subsidiary AS Klaveness Chartering. The portfolio is managed within a given VaR mandate and maximum volume limits, and is supervised on a daily VaR basis, calculated at a 95 % confidence level. All contract counterparties are rated in-house and given a designated exposure limit. In both 2013 and 2012 the portfolio mainly consisted of cleared forward freight agreements, with only a limited number of over-the-counter forward freight agreements.

Torvald Klaveness' portfolio of physical and financial freight agreements falls due in the period 2014-2019. All the contracts have been evaluated with respect to counterparty risk. The statistically estimated loss corresponding to these contracts was USD 11.9 million at year-end 2013 (USD 12.5 million at year-end 2012). The net portfolio value adjusted for statistically estimated losses is positive, therefore no accounting provisions have been made.

The mark-to market value of the portfolio from 2013 and forward was, assuming no credit risk, a total positive value of USD 32.9 million (2012: USD 12.6 million). This is based on a valuation of each separate contract's cash flow relative to the forward market in the relevant contract periods, which is aggregated and discounted using the USD swap interest curve. Forward market prices per 31 December 2013 were used in this valuation. The net mark-to-market value of the trading portfolio, after deducting the statistically estimated counterparty losses, was thus positive by USD 21.0 million (2012: positive by USD 0.1 million).

USD '000 Result from physical and financial freight agreements	2013	2012
Result from physical and financial freight agreements	9 580	5 574
Provisions for negative future portfolio value	0	0
Net result from physical and financial freight agreements	**9 580**	**5 574**

The physical contracts include time charter-in contracts, which effectively are operational vessel leases. However, the income on these non-balance sheet assets is not treated separately from other portfolio income. These contracts, together with other physical and financial contracts are managed as one portfolio and hence accounted for as such.

AS Klaveness Chartering has 22 ship-years of time charter-in contracts with maturity below 1 year. AS Klaveness Chartering has 19 ship-years of time charter-in with maturity between 1 and 5 years at an average daily lease rate of USD 9138.

NOTE 7: REVENUE FROM VESSELS

Torvald Klaveness operates in an open international market where the various geographical areas are connected. The fleet has the flexibility to operate in all markets and are employed in a comprehensive pattern inside and between the regions in order to optimise income. Consequently, Torvald Klaveness' operating shipping activities are not attributed to specific geographical markets.

Gross revenue from vessels ('000)	2013	2012
Pools:		
Panamax	193 924	183 644
Handymax	118 787	212 997
Total	312 711	396 642
Own vessels:		
Combination carriers	101 009	112 345
Selfunloaders	39 118	36 054
Cement vessels	369	700
Container vessels	10 192	7 898
Total	150 688	156 997
Total gross revenue from vessels:	**463 399**	**553 639**

NOTE 8: OTHER OPERATING REVENUES

USD '000	2013	2012
Net gain from insurance settlement MV Bareli	0	8 707
Gain/commission on sale of vessel newbuilding contracts	3 000	0
Gain from realisation other fixed assets	514	2 000
Income from operation of aeroplane	60	232
Other operating revenues	1 063	977
Total other operating revenues	**4 637**	**11 916**

NOTE 9: VOYAGE RELATED EXPENSES AND OPERATION OF VESSELS

Voyage related expenses and operation of vessels ('000)	2013	2012
Pools:		
Panamax	-186 936	-176 614
Handymax	-113 645	-203 563
Total expenses pools	-300 580	-380 177
Own vessels:		
Combination carriers	-55 239	-60 230
Selfunloaders	-13 682	-9 861
Container vessels	-9 068	-4 725
Total expenses own vessels	-77 989	-74 816
Total voyage related expenses and operation of vessels	**-378 570**	**-454 993**
Voyage related expenses (including distribution of pool result)	-340 897	-426 561
Operation of vessels	-37 672	-28 432
Total voyage related expenses and operation of vessels	**-378 570**	**-454 993**

All operating expenses of pool vessels are voyage related. Expenses include distribution of net result to the pool participants, but exclude pool management fee paid within Torvald Klaveness.

Combination carriers are operated in an internal pool fully owned by Torvald Klaveness. Expenses include voyage related expenses and non-voyage related vessel operating expenses.

Selfunloaders are operated by an external pool. All voyage related expenses are carried by the pool, and expenses mainly consist of non-voyage related vessel operating expenses. Voyages carried out outside the pool may generate voyage related expenses.

Container vessels are employed on time charter contracts, where the charterer carries all voyage related expenses.

NOTE 10: SALARIES, SOCIAL EXPENSES AND REMUNERATION

USD '000 Salaries and social expenses	2013	2012
Wages	-19 320	-19 749
Restructuring charge	-2 400	0
Benefits and insurance	-579	-807
Employer's social security contributions	-2 061	-2 721
Net pension cost (note 35)	-261	-4 834
Welfare expenses	-1 156	-1 362
Total salaries and social expenses	**-25 776**	**-29 473**
Average number of man-years (on-shore Oslo, continuing operations)	88	100
Average number of man-years (on-shore abroad)	59	30
Average number of man-years (on-shore Oslo, discontinued operations)	0	0

Crew for the Torvald Klaveness fleet is hired through manning offices in Manila, Constanta and Oslo. The group has on hire an average of 700-800 seafarers (variations through the year). Salaries to crew on the vessels are presented as part of operation of vessels and voyage related expenses.

Remuneration to management	2013	2012
Remuneration to the Board of Directors	-349	-346
Remuneration to the Chief Executive Officer 1)	-613	-864

1) incl. salaries and pension cost

Lasse Kristoffersen was promoted to CEO with effect from 1 September 2011. Simultanously, the former CEO, Trond Harald Klaveness, took over the role as chairman of the board. In 2013, Trond Harald Klaveness received a compensation of USD 88 thousand for his work as senior advisor, in addition to the remuneration of USD 122 thousand for carrying the position as Chairman of the Board. The employment of the chairmain of the board has no time limit.

In addition to the ordinary company pension plan, the Chairman of the board is entitled to early retirement from the age of 64. The pension at retirement equals 20 times the base amount of the Norwegian Insurance Scheme.

There are no post-employment benefit agreements.

NOTE 11: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

USD '000	2013	2012
Administrative expenses	-9 747	-11 014
Outsourcing, consultancy and legal fees	-3 327	-4 325
Audit fee 1)	-461	-387
Other services from auditor 1)	-98	-89
Other operating expenses	-2 734	-1 602
Provisions/reversals of provisions	3 515	2 412
Total other operating expenses	**-12 853**	**-15 005**

1) Excluding VAT

NOTE 12: INTEREST INCOME AND EXPENSES

USD '000	2013	2012
Interest income	303	508
Net income/(loss) bonds 1)	373	-218
Mortgage interest expenses 2)	-6 752	-2 249
Other interest income/(expenses)	0	2
Net interest income/(expenses)	**-6 077**	**-1 957**

1) Net income/(loss) bonds includes unrealised change in fair value.

2) Including effect of interest rate hedging

NOTE 13: OTHER FINANCIAL INCOME AND LOSS

USD '000	2013	2012
Realised gain / (loss) financial instruments	-565	851
Unrealised gain / (loss) financial instruments	3 277	-4 609
Other financial income	58	42
Other financial expenses	-1 083	-856
Net other financial income/(loss)	**1 686**	**-4 572**

NOTE 14: TANGIBLE FIXED ASSETS

2012 (USD '000)	Self-unloaders	Cabu Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2012 - vessels/other assets	109 534	235 984	102 516	16 786	464 820
Cost 1 January 2012 - docking	4 933	6 631	1 465	0	13 029
Additions	5 380	2 469	0	3 464	11 314
Disposals	-2 074	-1 199	0	-99	-3 371
Loss of ship	0	0	-40 220	0	-40 220
Currency translation	0	0	0	-726	-726
Cost 31 December 2012 - vessels/other assets	110 601	236 092	71 905	19 425	438 023
Cost 31 December 2012 - docking	7 171	7 798	1 155	0	16 124
Accumulated depreciation 31 December 2012	-43 972	-100 282	-7 741	-12 839	-164 835
Accumulated impairment 31 December 2012	0	-13 578	-18 306	0	-31 884
Net book value 31 December 2012 - vessels/other assets	69 094	125 892	37 275	6 586	232 261
Net book value 31 December 2012 - docking	4 707	4 132	439	0	9 278
Net book value 31 December 2012 - total[1]	**73 801**	**130 024**	**37 714**	**6 586**	**248 125**
Depreciation for the year, 2012 - vessels/other assets	-5 696	-15 232	-2 791	-1 150	-24 869
Depreciation for the year, 2012 - docking	-2 143	-2 798	-331	0	-5 271
Total depreciation vessels, 2012	**-7 839**	**-18 030**	**-3 122**	**-1 150**	**-30 140**
Impairment for the year, 2012	0	0	-14 760	0	-14 760
Number of vessels by the end of 2012	3	7	2	0	12
Average useful life	20	22	25	0	22
Average remaining useful life	12	11	18	0	13

2013 (USD '000)	Self-unloaders	Cabu Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2013 - vessels/other assets	110 601	236 092	61 905	19 425	428 023
Cost 1 January 2013 - docking	7 171	7 798	1 155	0	16 124
Additions	114 825	3 669	126 723	2 469	247 686
Disposals	0	-2 967	0	-3 442	-6 409
Currency translation	0	0	0	-307	-307
Cost 31 December 2013 - vessels/other assets	223 426	236 244	186 678	18 146	664 494
Cost 31 December 2013 - docking	9 171	8 347	3 105	0	20 623
Accumulated depreciation 31 December 2013	-54 802	-113 446	-10 675	-14 042	-192 966
Accumulated impairment 31 December 2013	0	-13 578	-50 572	-51	-64 202
Net book value 31 December 2013 - vessels/other assets	173 799	113 058	126 516	3 920	417 293
Net book value 31 December 2013 - docking	3 857	4 504	2 019	0	10 380
Net book value 31 December 2013 - total	**177 656**	**117 562**	**128 535**	**3 920**	**427 673**
Depreciation for the year, 2013 - vessels/other assets	-7 981	-12 986	-3 265	-1 233	-25 465
Depreciation for the year, 2013 - docking	-2 849	-3 145	-525	0	-6 519
Total depreciation vessels, 2013	**-10 830**	**-16 131**	**-3 790**	**-1 233**	**-31 984**
Impairment for the year, 2013	0	0	0	-51	-51
Number of vessels by the end of 2013	5	7	5	0	17
Average useful life	20	22	25	0	22
Average remaining useful life	14	9	21	0	13

Torvald Klaveness' insurance arrangements are organised through external insurance companies. The financial impact of a total loss of a vessel will not be material to Torvald Klaveness.

Depreciation of vessels is recorded on a straight-line basis over the estimated economic lifetime of each individual asset. The depreciation period for vessels is normally 20-25 years.

NOTE 15: NEWBUILDING CONTRACTS

The container vessels Balao, Ballenita and Balsa were delivered in Q1, Q2 and Q3 2013 respectively. The selfunloader vessels Balto and Balchen were delivered in Q1 and Q3 2013.
During 2013, the group entered into four additional newbuilding contracts. Two container newbuilding contracts, scheduled for delivery in Q1 2014, were ordered from Jiangsu Yangzijiang Shipbuilding Co., Ltd./Jiangsu New Yangzi Shipbuilding Co., Ltd. The additional two newbuilding contracts are dry bulk vessels, also ordered from Jiangsu Yangzijiang Shipbuilding Co., Ltd./Jiangsu New Yangzi Shipbuilding Co., Ltd.
In Q2 2013, the group decided to exit the deal with the ship yard regarding newbuilding contract YZJ2010-961, with delivery Q4 2014, and entered into a newbuilding contract of a different newbuilding contract with earlier delivery (Q1 2014), YZJ2007-820. The swap of newbuilding contracts resulted in a reversal of impairment of USD 7.5 million.

USD '000 Hull number	Vessel	Vessel type	Date of contract	Expected delivery	Contractual obligation	Remaining Installments as of Dec 31, 2013
YZJ2010-961/YZJ2007-820	Baleares	Container	December 23, 2010	Q1 2014	32 500	12 200
YZJ2007-817	Bardu	Container	June 25, 2013	Q1 2014	25 000	5 000
YZJ2007-819	Banak	Container	June 25, 2013	Q1 2014	25 000	5 000
YZJ2013-1116	-	Kamsarmax	August 31, 2013	Q4 2015	26 700	2 670
YZJ2013-1117	-	Kamsarmax	August 31, 2013	Q4 2015	26 700	2 670
Total newbuilding contracts					**135 900**	**27 540**

USD '000 Book value	Baleares	Bardu	Banak	YZJ2013-1116	YZJ2013-1117	Total
Installments as of 31 December 2012	11 814	0	0	0	0	11 814
Capitalised expenses as of 31 December 2012	1 287	0	0	0	0	1 287
Impairment as of 31 December 2012	-10 898	0	0	0	0	-10 898
Total book value 31 December 2012	**2 203**	**0**	**0**	**0**	**0**	**2 203**
Installments in 2013	2 355	5 000	5 000	2 670	2 670	17 695
Capitalised expenses in 2013*	-766	855	870	0	0	959
Impairment/reversal of impairment in 2013	7 500	0	0	0	0	7 500
Total book value 31 December 2013	**11 291**	**5 855**	**5 870**	**2 670**	**2 670**	**28 356**

USD '000 Book value	Balao	Ballenita	Balsa	Balto	Balchen	Total
Installments as of 31 December 2012	15 600	11 700	11 814	32 640	26 950	98 704
Capitalised expenses as of 31 December 2012	1 531	1 487	1 731	2 762	2 042	9 553
Impairment as of 31 December 2012	-10 649	-10 714	-10 903	0	0	-32 266
Total book value 31 December 2012	**6 482**	**2 473**	**2 642**	**35 402**	**28 992**	**75 991**
Installments in 2013	23 780	27 300	27 000	21 760	25 000	124 840
Capitalised expenses in 2013	975	1 468	2 332	1 291	1 889	7 955
Impairment in 2013	0	0	0	0	0	0
Delivered vessel	-31 237	-31 241	-31 974	-58 453	-55 881	-208 786
Total book value 31 December 2013	**0**	**0**	**0**	**0**	**0**	**0**

*For newbuilding Baleares, capitalised expenses include reversal of seller's credit from 2012 of USD 1 969 000 due to swap of contracts.

Bank debt to partly cover yard instalments has been secured for all vessels with delivery in 2013 and 2014. For the vessels with delivery in 2014, the loans are available for drawdown at delivery. In addition, part of the yard instalments for one of the container vessels was postponed (seller’s credit from the yard). The loan matured one year after delivery, in September 2014, however the loan was repaid in February 2014. Per December 31, 2013 the postponed amount is classified as short term interest bearing debt. (refer to note 29).

NOTE 16: ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies (USD '000) Company	Acquisition	Ownership (direct + indirect)	Acquisition cost	Share of result 2013	Book value per 31 Dec 2013	Share of result 2012	Book value per 31 Dec 2012
Baltrader investments:							
MS Cemisle Schiffahrtsgesellschaft KG	2007	0 %	3 601	110	0	-491	700
MS Cemvale Schiffahrtsgesellschaft KG	2006	0 %	885	304	0	195	1 966
MS Cemsol Schiffahrtsgesellschaft KG	2007	0 %	1 617	62	0	-40	1 985
MS Cemsea Schiffahrtsgesellschaft KG	2004	0 %	60	875	0	249	901
MS Cemsky Schiffahrtsgesellschaft KG	2004	0 %	57	-168	0	259	1 160
Partenreederei MS Baltic Sun	2004	0 %	1 230	192	0	101	176
MS Cembay Schiffahrtsgesellschaft KG	2005	0 %	269	-272	0	192	1 410
MS Cemluna Schiffahrtsgesellschaft KG	2005	0 %	250	-34	0	192	1 043
MS Pacific Star Schiffahrtsgesellschaft KG	2005	0 %	326	107	0	59	373
Accumulated exchange rate differences				-1 405			
Total Baltrader investments			8 296	-228	0	716	9 714
Other associated companies:							
Klaveness Maritime Agency Inc.	2011	24,96 %	25	29	59	6	30
Total associated companies			**8 321**	**-199**	**59**	**722**	**9 744**

Associated companies

Investments in associated companies are recognised according to the equity method. Acquisition cost refers to the cost of the investment adjusted for accumulated payments to/from the company. Book value equals the group's share of book equity in the company, adjusted for added values or impairments of the investment. The group's share of results includes depreciations of added values and any changes in impairments.

Torvald Klaveness (via AS Klaveness Chartering) has had partial ownership in nine German KGs, owning nine dry bulk vessels transporting cement. The vessels were managed by Baltrader Schiffartsgesellschaft GmbH & Co, which was partly owned (60 %) by another subsidiary under Torvald Klaveness. In June 2013, all investments in the Baltrader system were sold. The share of net result in 2013 reflects Torvald Klaveness' share of net result until the time of the sale, and the gain/loss on the sale. The underlying investment was in EUR. At the time of the sale, accumulated exchange rate differences over the ownership period were recognized in profit & loss.

Klaveness Maritime Agency Inc. is located in the Philippines.

Joint ventures

Joint ventures are accounted for according to the proportional consolidation method. Torvald Klaveness includes the joint venture Barklav (Hong Kong) Limited which is owned 50 %. The joint venture was acquired in 2000 and is located in China. In 2013, Torvald Klaveness' share of net profit from Barklav was USD 129 thousand and the share of equity USD 270 thousand.

NOTE 17: BUNKERS ON BOARD VESSELS

The downturn in the world economy has given rise to a trend in the shipping industry towards lower time charter rates and shorter time charter contracts. In addition, there has been an increase in bunker prices. One consequence of these developments is that the value of bunkers onboard a ship under time charter agreement may exceed the total time charter hire amount. Consequently, charterers to a lesser extent than before actually pay for the bunkers onboard a vessel at the time of delivery. Instead, the charterer redelivers the vessel with the same amount of bunkers onboard the vessel. As the charterers no longer pay for the bunkers, the legal ownership of the bunkers at the time of delivery to the charterer remains with the owner of the vessel.

To reflect this development in the balance sheet, all trade payables to owners related to purchase of bunkers onboard vessels hired in on time charter contracts have been classified as follows: For vessels that have been hired out on time charter contracts, the trade payables to owners have been recognised against trade receivables from charterers. For vessels that are operated by Klaveness on contracts of affreightment, the trade payables to owners have been recognised against bunkers onboard vessels. For vessels that are operated in the pools, bunkers onboard vessels that are on time charter contracts have been reclassified from receivables from charterers to bunkers onboard vessels.

Although some of this bunkers may have been consumed as at 31 December 2013 we have, based on a cost-benefit

USD '000	2013	2012
Bunkers	50 810	68 740
Luboil*	1 744	0
Bunkers on board vessels	**52 554**	**68 740**

* In order to show the actual consumption of lubricant oil with full effect from 2014, the lub oil stock is per year end 2013 entered as an asset. For the new buildings the inital upstoring of lubricant oil has been classified as part of intial cost.

NOTE 18: ACCOUNTS RECEIVABLE

USD '000	2013	2012
Accounts receivable from charterers	46 754	34 672
Accounts receivable from owners	7 682	7 765
Other accounts receivable	331	2 599
Provision for unsettled income	-2 010	-1 967
Provision loss on accounts receivable*	-11 486	-10 885
Accounts receivable	**41 270**	**32 185**

* Includes a provision of USD 8.8 million on one receivable regarding a counterparty which has been under administration since its default in 2009.

NOTE 19: PREPAID EXPENSES

USD '000	2013	2012
Prepaid mark-to-market margin on cleared FFAs	731	0
Prepaid time charter hire	14 374	4 481
Other prepaid expenses	1 168	3 085
Prepaid expenses	**16 273**	**7 566**

NOTE 20: OTHER SHORT-TERM RECEIVABLES

USD '000	2013	2012
Accrued voyage income	35 979	15 403
Accrued interest income	492	177
Claims (insurance and other)	609	762
Spare parts vessels	169	169
Other short-term receivables	8 135	3 933
Other short-term receivables	**45 384**	**20 444**

NOTE 21: FINANCIAL INSTRUMENTS

USD '000	2013 Cost/nominal value	2013 Market value	2012 Cost/nominal value	2012 Market value
NOK bonds and bond funds				
Danske Andelskasser	1 473	987	1 473	984
Arctic Covered 1)	6 937	7 077	6 937	7 499
Total bonds and bond funds	**8 410**	**8 063**	**8 410**	**8 483**
1) Defined as cash equivalent for cash flow purposes				
Interest swap agreements (non-hedging)	0	-2 856	0	-6 114
Foreign currency contracts (non-hedging)	0	19	0	0
Total derivatives	**0**	**-2 836**	**0**	**-6 114**

Currency adjustments of non-USD bonds are included in the market value per 31 December. Currency gain/loss on bonds is included in net currency gain/loss in the income statement. The investment in Danske Andelskasser was repaid in February 2014 at its nominal value.

Financial instruments for non-hedging purposes

As per December 31, 2013 five interest swap agreements had been entered into for non-hedging purposes. Interest swaps are valued at the lower of historical cost or fair market value. The total mark-to-market value of these interest swaps per 31 December 2013 was negative by USD 2.9 million. The positive change in market value of USD 3.2 million has been recognized as financial income.

Foreign currency contracts entered into for non-hedging purposes are measured at fair market value. As per 31 December 2013 Torvald Klaveness had one foreign currency contract of USD 10 million.

NOTE 22: CASH AND BANK DEPOSITS

USD '000	2013	2012
Bank deposits in USD	142 546	103 978
Bank deposits in NOK	3 869	8 554
Bank deposits in other currencies	1 021	946
Withholding tax accounts, restricted	885	951
Other restricted accounts 1)	0	2 930
Cash	533	3 269
Total cash and bank deposits	**148 854**	**120 628**
Hereof cash and bank deposits related to subsidiaries with ownership interest less than 90 %	9 417	9 401

1) Cash collateral due to breach of financial covenants in loan agreements

NOTE 23: PROVISIONS

USD '000	2013	2012
Provision loss on long-term contracts - Bulktransfer Inc.	0	3 188
Contingent liabilities related to demerger	6 560	4 316
Total provisions	**6 560**	**7 505**

In 2007 Bulktransfer Inc. sold the three transloader vessels operating in the Middle East. Two of the long-term contracts with customers were not novated to the buyer, and Bulktransfer Inc. has instead been holding them in trust of the buyer. In 2012 one of these contracts was terminated. Bulktransfer Inc. holds the remaining contract in trust of the buyer until a potential novation, termination or expiry, and the risk allocation has been adjusted to reflect the net present value of the remaining financial exposure. The remaining contract expires on 31 December 2014. Per 31 December 2013, the risk of default is deemed to be below 50 % and the remaining provision has been reversed.

In 2011, the group was demerged, forming the two entities Klaveness Marine and Torvald Klaveness. The demerger agreement includes a possible pro/contra settlement as per 31 December 2014, reflecting the final outcome of a set of pending issues. The net sales gain in 2011 included a provision of USD 2.7 million for a contingent liability related to this possible future settlement. In 2012, this provision was increased by USD 1.6 million to reflect a positive deviation in the development in the pending issues. In 2013, the provision as been increased further by USD 2.2 million.

NOTE 24: MORTGAGE DEBT

USD '000	2013	2012
Mortgages, USD denominated	216 441	134 614
First year installments	-29 578	-18 843
Total long-term mortgage debt	**186 863**	**115 771**
Hereof mortgage debt related to subsidiaries with ownership interest 90 % or more	119 657	113 714
Repayment schedule:		
Falling due within one year	29 578	18 843
Falling due between one and three years	99 532	66 987
Falling due after three years	87 331	48 784
Total mortgage debt	**216 441**	**134 614**
Book value of vessels with mortgage debt	**314 071**	**206 210**

Mortgage debt is related to vessel investments. The interest rate on the mortgage debt is linked to LIBOR plus a margin. The margins are subject to market terms and at year end the margins were in the range 0.475 % to 3.25 %.

Some interest rate derivative agreements have been entered into to reduce risk related to potential interest rate increases. Refer to note 4 on operational and financial risks, note 31 on hedging for details about interest rate risk reduction, and note 21 for details on financial instruments for non-hedging purposes.

The loan agreements have various financial covenants related to equity, minimum cash and debt service ability. And in addition all mortgage debt has covenants related to loan to value ratios.

All newbuildings delivered in 2013 and 2014 are partly financed by bank debt. In addition two loans related to the cabu vessels were refinanced in 2013. One cabu loan expires in 2014 and the intention is to refinance the loan before expiry.

NOTE 25: LONG-TERM BOND LOAN

USD '000	2013	2012
Loan amount (NOK 300 million) converted to USD	52 250	0
Exchange rate adjustment	-2 920	0
Hedge of currency exposure	2 920	0
Capitalized expenses	-806	0
Long-term bond loan	**51 444**	**0**

On May 2, 2013, Klaveness Ship Holding AS issued an unsecured bond of NOK 300 million. The bond has a bullet structure and matures in May 2018. The bond is listed on Nordic ABM (ISIN: NO0010675986).

A cross-currency swap was entered into at the same time, to hedge both the interest rate and the currency exposures. The swap is in the amount of USD 52.250.000 / NOK 300.000.000 at a fixed rate of 6.01 % p.a. Refer to note 31 for further information on the accounting treatment of financial instruments used as hedges.

The company is in compliance with all covenants per December 31, 2013.

NOTE 26: OTHER LONG-TERM INTEREST-BEARING LIABILITIES

USD '000	2013	2012
Seller credit from yard *	0	3 938
Long-term debt to related parties	11 679	12 421
Total other interest-bearing long-term liabilities	**11 679**	**16 359**

* Seller credit from yard is related to two of the container newbuildings, and matures one year after delivery of the vessels. Per December 31, 2013, seller's credit has been reclassified to short- term interest bearing debt, as it matures within less than a year. The seller's credit was settled in February 2014.

NOTE 27: ACCOUNTS PAYABLE

USD '000	2013	2012
Accounts payable to charterers	7 369	2 652
Accounts payable to owners	9 584	9 577
Accounts payable to brokers	2 784	4 021
Accounts payable to bunkers suppliers	8 724	8 473
Other accounts payable	5 801	7 154
Accounts payable	**34 261**	**31 876**

NOTE 28: ACCRUED EXPENSES

USD '000	2013	2012
Accrued interest expenses	1 490	573
Accrued voyage expenses	31 542	12 924
Accrued expenses	**33 032**	**13 496**

NOTE 29: SHORT-TERM INTEREST-BEARING DEBT

USD '000	2013	2012
First year installments of long-term debt	29 578	18 843
Drawn credit line	5 361	5 150
Seller's credit	13 783	0
Short-term debt to related parties	135	1 048
Total short-term interest-bearing debt	**48 858**	**25 041**

First-year installments of long-term debt has from 2012 been reclassified to short-term debt. Refer to note 24 for details on the loans.

Drawn credit line has been reclassified from accounts payable to short-term interest-bearing debt. Comparative figures have been restated accordingly.

Short-term debt to related parties consists of debt to persons affiliated with the shareholders of Rederiaksjeselskapet Torvald Klaveness. The debt is interest-bearing. The interest rate is NIBOR plus a market based margin. Refer to note 34 for information regarding related parties.

Seller's credit is reclassified from long term to short term interest-bearing debt in 2013, and consists of debt to Jiangsu Yangzijang Shipbuilding Co. Ltd for postponing 35 % of the contract price of MV Balsa. The debt has been settled in February 2014.

NOTE 30: OTHER SHORT-TERM LIABILITIES

USD '000	2013	2012
Received mark-to-market margin on cleared FFAs	0	1 659
Unearned income	13 784	19 341
Public duties payable	-21	603
Payables related to wages and crewing	2 770	2 393
Provisions for losses	4 465	5 321
Pool-hire payable	26 368	35 674
Other short-term liabilities	20 275	15 202
Other short-term liabilities	**67 641**	**80 194**

NOTE 31: HEDGING

Torvald Klaveness uses financial instruments to hedge against certain financial risks. In 2013, future freight agreements have been used to hedge against market fluctuations; fuel swaps have been used to hedge against fluctuations in the bunkers market; and interest rate swaps have been used to hedge against interest rate fluctuations. Further, a cross currency interest rate swap was entered to hedge interest rate and currency fluctuations on a bond loan of NOK 300 million (see note 25).

Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the value hedging instrument are recognised immediately in the profit and loss account.

			2013		2012	
Hedging object	**Hedging instrument**	**Hedge included in P&L line**	**P&L effect**	**Market value**	**P&L effect**	**Market value**
Cash flow hedges:						
Pool income	Forward freight agreements	Gross revenues from operation of vessels	-285	0	697	-87
Interest mortgage loans	Interest rate swaps	Interest income/expenses	-29	226	-24	0
Interest bond loan	Cross currency interest rate swap	Interest income/expenses	71	-237	0	0
Bunkers cost	Fuel swaps	Operation of vessels and voyage related expenses	-4	12	271	-13
Value hedges:						
Bond loan	Cross currency interest rate swap	Net currency gain/loss	-2 920	-2 920	0	0
SUM hedging			**-3 168**	**-2 919**	**944**	**-100**

Duration:
Interest rate swap on mortgage loans have a duration until 2018 when the underlying loan expires, and hedge an increasing portion of interest rates on loans financing the container fleet as the container loans are being partly repaid over the period until expiry while the interest rate swaps have bullet structures. The cross currency interest rate swap is a full hedge on both exchange rate and interest rate for the duration of the bond loan, which matures in May 2018. Forward freight agreements and fuel swaps are generally entered into on a year-to-year basis.

NOTE 32: GUARANTEE LIABILITIES AND COLLATERAL

In favour of external parties: Guarantee to	Guarantee description	Amount
YZJ Yard	Two guarantees for second and third installments for shipbuilding contracts YZJ2013-1116 and YZJ2013-1117.	Each of USD 5.340.000 + interest
YZJ Yard (on behalf of Stratton Shipping Ltd)	Two guarantees for second and third installments for shipbuilding contracts YZJ2013-1138 and YZJ2013-1139.	Each of USD 5.760.000 + interest
YZJ Yard	Seller's credit (the loan is repaid and guarantee has expired per February 17, 2014).	USD 13.783.000
DNB	Senior Secured Term Loan Facility Agreement financing container vessels ("Barry" / "Amundsen" /"Bardu" / "Banak")	Outstanding loan amount (max USD 54.6 million) + interest, expenses and exposure under derivatives
SEB	Senior Secured Term Loan Facility financing container vessels ("Balao" / "Ballenita")	Outstanding loan amount (max USD 30.158333) + interest, expenses and exposures under derivatives
DNB/Danske Bank	Senior Secured Term Loan Facility Agreement financing container vessels ("Balsa" / "Baleares")	USD 35.000.000 + interest, expenses and exposure under derivatives
DNB	Cross Currency Interest Rate Swap on Klaveness Ship Holding bond issue	Exposure under the derivative
DNB and ING	Guarantee for a loan agreement of USD 75 million to finance the Beltunloader newbuildings	USD 90 million + interest and expenses.
Danske Bank	On demand performance guarantee for the liabilities under two bank loan financing two vessels	Limited to the obligations under the loan agreements
BHP Billington Marketing AG	Performance guarantee for Contract of Affreightment for the period 2010-2013.	No limit
Gard P& I Bermuda	Guarantee for non P&I liabilities guaranteed for by Gard P&I Bermuda on behalf of Antarctica Shipping Pte Ltd	Limited to USD 7.5 million

In favour of related parties: Guarantee to	Amount
Brigantina AS	NOK 22 million
THK Holding AS	NOK 17 million
THK Partner AS	NOK 20 million
MMK Holding AS	NOK 15 million
JWI Holding AS	NOK 15 million

Rederiaksjeselskapet Torvald Klaveness has issued guarantees as collateral for loans from related companies to the subsidiary Klaveness Finans AS. The guarantees are issued in order to comply with The Limited Liability Companies Act.

NOTE 33: CONTINGENT LIABILITIES

During the normal course of its operations Torvald Klaveness is involved in various legal disputes. Torvald Klaveness has in its financial statements recorded provisions for possible adverse outcome of such disputes based on the company's best judgement. The ultimate gain or loss resulting therefrom cannot be determined at the balance sheet date.

During 2010 Torvald Klaveness initiated an investigation into certain business transactions that were mainly conducted prior to 2005. The investigation showed possible irregularities related to commission payments to a broker in the Middle East, and in 2012 Torvald Klaveness made public that the company had notified Økokrim about this. Økokrim is now investigating the commission payments as possible corruption. In January 2014, disputes with Aluminium Bahrain (Alba) connected to these commissions payments and Alba's non-performance under a later freight contract were settled, and a new long term commercial freight agreement for transportation of alumina to Alba's plant in Bahrain was entered into. With regards to the investigation in Norway by Økokrim (the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime), no conclusion has been made. No provision has been made in the financial statements per 31 December 2013.

In 2011, the group was demerged, forming the two entities Klaveness Marine and Torvald Klaveness. The demerger agreement includes a pro/contra settlement reflecting the final outcome per 31 December 2014 of a set of pending issues. The net sales gain in 2011 included a provision of USD 2.7 million for a contingent liablity related to a future settlement. Per 31 December 2013 the provision is USD 6.6 million (refer to note 23).

NOTE 34: TAXES

USD '000 Income taxes in the income statement consist of:	2013	2012
Income taxes payable	-617	-5 826
Change in tax liabilities - tonnage tax system	0	4 472
Change in deferred tax liability/ deferred tax asset	-3 551	6 404
Tax adjustments previous years/others	4	0
Total tax (expense) / income	**-4 164**	**5 049**

Temporary differences - ordinary taxation:	2013	2012
Pension premium fund	789	2 692
Temporary differences on other fixed assets	-7 341	-10 877
Temporary differences on current assets	5 577	10 730
Tax losses carried forward	62 362	69 332
Net temporary differences	**61 388**	**71 878**
Deferred tax asset/ (deferred tax liability) in balance sheet 27% (28% in 2012)	**16 575**	**20 126**

Deferred tax asset is recognised to the extent that temporary differences are expected to be reversed in the foreseeable future.

	2013		2012	
Tax payable:	Income	Tax effect	Income	Tax effect
Profit / (loss) before taxes	29 047	8 133	-11 785	-3 300
Permanent differences	-3 613	-1 012	-12 586	-3 524
Income from shipping activity, tonnage tax system	-21 896	-6 131	-10 048	-2 813
Income due to repayment of tax liabilities, tonnage tax system	0	0	15 971	4 472
Income from foreign subsidiaries	2 454	687	6 232	1 745
Change in temporary differences	-2 797	-783	959	269
Use of tax losses from prior years, carried forward	-1 388	-389	27 227	7 624
Tax payable - foreign subsidiaries		111		1 354
Taxable income / tax effect	**1 806**	**617**	**15 970**	**5 826**
Unpaid / prepaid (-) tax payable prior years		721		-617
Tonnage tax (included in operation profit)		205		174
Total tax payable in the balance sheet		**1 543**		**5 383**

In 2007 the Norwegian authorities decided to change the Norwegian tonnage taxation system. The new regime came into place on January 1, 2007. The previous tonnage tax system offered eligible companies a postponed taxation of profits derived from the operation of ships, until untaxed income was distributed to the shareholders, or the company exited the special tax regime. The new tax regime corresponds to the special tax regimes for shipping in other European countries, i.e. shipping income is tax exempt on a permanent basis. As an integral part of the amendments to the tonnage tax system, the deferred tax liability in the old system became taxable based on an income settlement calculated according to certain transitional provisions.

However, the Supreme Court's ruling on February 12, 2010 concluded that the transitional rules decided on by the Norwegian national assembly in 2008 are in contravention of section 97 of the Norwegian Constitution. On March 26, 2010, the Norwegian Ministry of Finance proposed new rules for settlement of the untaxed profits. The alternative chosen by the group was that two-thirds of the original income settlement as per January 1, 2007 was taxable with a tax rate of 10 % over the period 2010-2012 (payable in 2011-2013).

NOTE 35: PENSION COST, PENSION PLAN ASSETS AND PENSION LIABILITIES

Torvald Klaveness has a collective pension plan for its employees through Storebrand Livsforsikring.
The pension plan is based on the number of years served in the group and the salary level at the time of retirement.
As of December 31, 2013 the pension plan covers 94 (2012: 108) employees and 72 (2012: 76) retired employees.
The Norwegian pension plans satisfy the requirements of the Compulsory Service Pension Act.

Assumptions on which pension calculations are based	2013	2012
Discount rate	4,7 %	4,2 %
Annual salary adjustment	4,0 %	4,1 %
Adjustment of pension plan base amount "G"	4,0 %	4,0 %
Pension adjustment	4,0 %	4,0 %
Expected annual return on the pension plan assets	4,5 %	4,5 %

The calculations are based on the Gabler Partners dynamic mortality tables 2007 (GAP07) and disability tables from 1973 (IR73).
This mortality table was implemented 3 years ago, and is based on a slighter lower expected duration of life than the K2013FT. In average, there is a difference in margin of 5% between GAP07 and K2013F.

Demographic assumptions commonly used by the insurance industry have been applied.

USD '000 Pension costs	2013 Secured	2013 Unsecured	2013 Total	2012 Secured	2012 Unsecured	2012 Total
Interest expense on pension liabilities	(1 354)	(117)	(1 471)	(2 479)	(204)	(2 682)
Return on pension plan assets	1 563	-	1 563	2 038	0	2 038
Net return on pension plan assets	209	(117)	92	(441)	(204)	(644)
Present value of the year's pension benefits	(1 559)	(135)	(1 694)	(2 639)	(255)	(2 894)
Amortized change in estimates and plans	1 202	378	1 580	(914)	31	(883)
Social security tax on pension	(220)	(19)	(239)	(376)	(36)	(412)
Pension costs (-) / income	**(367)**	**106**	**(261)**	**(4 370)**	**(464)**	**(4 834)**

Pension plan assets / pension liabilities (-)	2013 Secured	2013 Unsecured	2013 Total	2012 Secured	2012 Unsecured	2012 Total
Pension plan assets (at market value)	28 922	0	28 922	37 532	0	37 532
Estimated pension liabilities	(38 366)	(3 834)	(42 200)	(36 743)	(2 680)	(39 423)
Non-amortized change in estimates and plans	13 939	360	14 299	437	(1 424)	(987)
Social security tax on pension	(1 414)	(541)	(1 954)	(7)	(378)	(385)
Total pension plan assets / pension liabilities (-)	**3 081**	**(4 014)**	**(932)**	**1 220**	**(4 482)**	**(3 262)**
Net unrecognized actuarial gains and losses outside corridor	10 483	79	10 562	(982)	5 308	4 326
Total actuarial gains and losses	13 939	360	14 299	437	(1 424)	(987)
This year's amortization cost (-) / income	1 202	378	1 580	(914)	31	(883)

Amounts shown in the balance sheet	2013 Secured	2013 Unsecured	2013 Total	2012 Secured	2012 Unsecured	2012 Total
Pension plan assets	3 590	-	3 590	2 030	0	2 030
Pension liabilities	(509)	(4 014)	(4 522)	(810)	(4 482)	(5 291)
Total pension plan assets / pension liabilities (-)	3 081	(4 014)	(932)	**1 220**	**(4 482)**	**(3 262)**

NOTE 36: RELATED PARTIES

For some transactions Torvald Klaveness is counterpart to persons and companies affiliated with the shareholders of the parent company, Rederiaksjeselskapet Torvald Klaveness. Services delivered by Torvald Klaveness to these persons and companies include accounting and administration of investments. In addition some affiliated companies and persons have extended loans to companies within Torvald Klaveness.

The level of fees and interests in this respect are based on market terms and are in accordance with the arm's length principle.

LONG-TERM LIABILITIES

USD 000'		2013		2012	
Company	Interest Rate	Interest	Liabilities	Interest	Liabilities
Brigantina AS	NIBOR 6m + 100 bps	95	3 357	139	3 548
THK Holding AS	NIBOR 6m + 100 bps	74	2 488	90	2 662
THK Partner AS	NIBOR 6m + 100 bps	64	2 169	90	2 307
MMK Holding AS	NIBOR 6m + 100 bps	54	1 833	76	1 952
JWI Holding AS	NIBOR 6m + 100 bps	54	1 833	76	1 952
Total		342	11 679	470	12 421

THK Holding AS, THK Partner AS, MMK Holding AS and JWI Holding AS together own 100% of Rederiaksjeselskapet Torvald Klaveness. Trond Harald Klaveness is majority stock holder of both Brigantina AS, THK Holding AS and THK Partner AS

SHORT-TERM LIABILITIES

USD 000'		2013		2012	
Company	Interest Rate	Interest	Liabilities	Interest	Liabilities
Trond Harald Klaveness	NIBOR 6m + 100 bps	16	135	44	1 048
Total		16	135	44	1 048

INCOME STATEMENT- PARENT COMPANY

USD '000		2013	2012
Operating expenses	Note 3	-4 295	-6 613
Operating profit/(loss)		**-4 295**	**-6 613**
Financial income and expenses			
Income from subsidiaries		13 393	0
Gain/(loss) from sale of subsidiaries	Note 2	-2 243	-1 613
Impairment subsidiaries	Note 5	-2 082	0
Net interest income/(expenses), group companies		-1 668	-1 965
Net other financial income/(expenses)		171	233
Net currency gain/(loss)		-2	2
Net financial income/(expenses)		**7 569**	**-3 343**
Profit/(loss) before taxes		**3 274**	**-9 956**
Taxes	Note 11	691	2 084
Profit/(loss) for the year		**3 965**	**-7 872**

BALANCE SHEET - PARENT COMPANY

USD '000		2013	2012
ASSETS			
Fixed assets			
Deferred tax asset	Note 11	4 550	5 306
Financial fixed assets			
Investments in subsidiaries	Note 5	70 934	87 777
Total fixed assets		**75 484**	**93 083**
Current assets			
Receivables, Group companies	Note 6	13 394	0
Other accounts receivables		7	12
Bank deposits	Note 7	263	263
Total current assets		**13 664**	**274**
TOTAL ASSETS		**89 148**	**93 358**
EQUITY AND LIABILITIES			
Equity			
Paid-in-capital			
Share capital (100 shares of NOK 509 982)		8 153	8 153
Other paid in equity		9 407	10 855
Retained earnings			
Other equity		765	0
Total equity	Note 8	**18 325**	**19 008**
LIABILITIES			
Provisions			
Provision contingent liabilities		6 560	4 317
Total provisions		**6 560**	**4 317**
Long-term liabilities			
Loan, group companies	Note 9	57 040	58 341
Total long-term liabilities		**63 600**	**62 658**
Current liabilities			
Short-term liabilities, group/related companies	Note 10	3 939	11 646
Dividend		3 200	0
Other stort-term liabilities		84	46
Total current liabilities		**7 223**	**11 692**
Total liabilities		**70 823**	**74 350**
TOTAL EQUITY AND LIABILITIES		**89 148**	**93 358**

Rederiaksjeselskapet Torvald Klaveness
December 31, 2013
March 21, 2014

Trond Harald Klaveness
Chairman

Christian Rynning-Tønnesen
Board member

Baard Haugen
Board member

Lasse Kristoffersen
Chief Executive Officer

Christian Andersen
Board member

CASH FLOW STATEMENT - PARENT COMPANY

USD '000	2013	2012
Profit/(loss) before taxes	3 274	-9 956
Impairments	2 082	0
Income from subsidiaries	-11 149	1 613
Change in current assets	4	-8
Change in current liabilities	-7 669	8 448
Net cash from operating activities (1)	**-13 458**	**98**
Change in investment in subsidiaries	14 760	13 100
Net cash from investments activities (2)	**14 760**	**13 100**
Increase in long term liabilities to group companies	3 871	8 771
Decrease in long term liabilities to group companies	-5 172	-22 825
Net cash from financing activities (3)	**-1 301**	**-14 055**
Net increase/decrease (-) in cash (1+2+3)	**0**	**-858**
Cash at January 1	263	1 121
Cash at December 31	263	263
Net increase/decrease (-) in cash	**0**	**-858**

NOTE 1: ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles.

Investments in subsidiaries
Investments in subsidiaries are stated according to the historical cost method. If there is a decrease in value that is not temporary, the shares are written down. Previously recognised impairments are reversed if the reason for the impairments no longer exists.

For other accounting principles refer to group accounting principles.

NOTE 2: GAIN/LOSS FROM SALE OF SUBSIDIARIES
The gain from sale of subsidiaries is related to the demerger of the group in 2011.

USD '000	2013	2012
Provision contingent liabilities related to demerger	-2 243	-1 613
Total gain from sale of subsidiaries	-2 243	-1 613

NOTE 3: OPERATING EXPENSES

USD '000	2013	2012
Remuneration to the Board of Directors	-349	-346
Audit fee	-64	-43
Other expenses	-3 882	-6 224
Total operating expenses	**-4 295**	**-6 613**

There are no employees in Rederiaksjeselskapet Torvald Klaveness. The Chief Executive Officer (Mr. Lasse Kristoffersen) was per December 31, 2013 employed in AS Klaveness Chartering. Remuneration costs are specified in the group notes.

Rederiaksjeselskapet Torvald Klaveness is charged with owners costs from AS Klaveness Chartering. This includes both services provided from AS Klaveness Chartering on behalf of Rederiaksjeselskapet Torvald Klaveness as well as allocation of costs generated on behalf of the owners. The cost allocation also includes remuneration of key management.

NOTE 4: REMUNERATION

USD '000 Remuneration to the auditor:	2013	2012
Auditing ex. VAT, statutory	-64	-43
Tax and other services ex. VAT	-1	-4
Total remuneration to the auditor	**-65**	**-47**

NOTE 5: INVESTMENTS IN SUBSIDIARIES

USD '000 Subsidiaries (acquisition year)	Share capital	Dividends in 2013	BV changes in 2013	Book value 2013	Book value 2012
AS Klaveness Chartering, Oslo (1967)	NOK 507	8 222		36 463	36 463
T. Klaveness Shipping AS, Oslo (1992)	NOK 239		-399	0	399
Klaveness Ship Holding AS (2005)	NOK 12 000		15 399	15 935	535
Klaveness Finans AS, Oslo (2008)	NOK 383	5 171		13 571	13 571
Bulkhandling Handymax AS, Oslo (2005)	NOK 100			15	15
Baumarine AS, Oslo (2005)	NOK 100			15	15
Klaveness AS, Oslo (2011)	NOK 100			18	18
Klaveness Asia Pte. Ltd., Singapore (2006)	USD 7 000		-31 842	4 918	36 760
Total investments in subsidiaries		**13 393**	**-16 842**	**70 934**	**87 777**

The shares in T. Klaveness Shipping AS were transferred to Klaveness Ship Holding AS through a capital increase in 2013. All other subsidiaries are owned 100 % by Rederiaksjeselskapet Torvald Klaveness per December 31, 2013.

Klaveness Cement Logistics AS changed its name in 2013 to Klaveness Ship Holding AS. Capital increases of USD 15.4 million were carried out.

Shares in Klaveness Asia Pt. Ltd were redeemed to the amount of USD 29.8 million. Further, an impairment of the investment of USD 2.0 million was carried out, following the transfer of the container fleet to a Norwegian subsidiary under the Klaveness Ship Holding AS umbrella.

NOTE 6: RECEIVABLES, GROUP COMPANIES

USD '000	2013	2012
AS Klaveness Chartering	8 222	0
Klaveness Finans AS	5 171	0
Bulkhandling Beltunloader	1	0
Total receivables, group companies	**13 394**	**0**

NOTE 7: BANK DEPOSITS

USD '000	2013	2012
Bank deposits	263	263
Total bank deposits	**263**	**263**

NOTE 8: EQUITY

2012

USD '000	Share capital	Other paid-in capital	Other equity	Total equity
Equity at 1 January 2012	**8 153**	**18 727**	**0**	**26 880**
Profit/(loss) for the year			-7 872	-7 872
Transfer of uncovered loss		-7 872	7 872	0
Equity at 31 December 2012	**8 153**	**10 855**	**0**	**19 008**

2013

USD '000	Share capital	Other paid-in capital	Other equity	Total equity
Equity at 1 January 2013	**8 153**	**10 855**	**0**	**19 008**
Profit/(loss) for the year			3 965	3 965
Dividends			-3 200	-3 200
Tax effect of Group contribution		-1 448		-1 448
Equity at 31 December 2013	**8 153**	**9 407**	**765**	**18 325**

For information regarding ownership, refer to group notes.

NOTE 9: LOAN, GROUP COMPANIES

USD '000	2013	2012
Loan from Klaveness Finans AS	57 040	58 341
Total receivables, group companies	**57 040**	**58 341**

Terms for repayment have not been negotiated.

NOTE 10: SHORT-TERM LIABILITIES, GROUP/RELATED COMPANIES

USD '000	2013	2012
AS Klaveness Chartering	3 939	2 146
Klaveness Asia Pte. Ltd.	0	9 500
Total short-term liabilities, group/related companies	**3 939**	**11 646**

NOTE 11: TAXES

USD '000 Income taxes consist of:	2013	2012
Tax payable	0	0
Change in deferred tax / deferred tax asset	757	2 084
Effect of Group contribution	-1 448	0
Total tax expense / (income)	**-691**	**2 084**

Taxable income:	2013	2012
Profit/(loss) before tax	3 274	-9 956
Permanent differences	-6 344	2 513
Change in temporary differences	2 627	-2 627
Group contribution with tax effect	5 171	0
Tax loss carried forward / (Use of tax loss carried forward)	-4 727	10 069
Taxable income	**0**	**0**

Reconciliation of the effective tax rate:	2013	2012
Profit/(loss) before tax	3 274	-9 956
Expected income tax (28 %)	917	-2 788
Tax effect of sale of subsidiaries	628	452
Tax effect change in tax rate from 28 % to 27 %	169	0
Tax effect of group contribution from subsidiary included as income	-2 302	0
Tax effect of impairment subsidiary included as expense	583	0
Exchange rate differences	-685	252
Total tax expenses / (income)	**-691**	**-2 084**

Deferred tax / Deferred tax asset:	2013	2012
Temporary difference on long-term debt (tax effect)	0	735
Tax loss carried forward (tax effect)	-4 550	-6 042
Net recognised deferred tax / (deferred tax asset)	-4 550	-5 306
Corrections previous years	0	0
Change deferred tax / deferred tax asset	**-757**	**2 084**

Deferred tax asset is recognised in the balance sheet as it is expected to be utilised against future taxable profits. The company may receive Group contributions with tax effect to utilise tax positions.

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working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01

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To the Annual Shareholders' Meeting of
Rederiaksjeselskapet Torvald Klaveness

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Rederiaksjeselskapet Torvald Klaveness, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

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Opinion

In our opinion, the financial statements of Rederiaksjeselskapet Torvald Klaveness have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 21 March 2014
ERNST & YOUNG AS

Kristin Hagland
State Authorised Public Accountant