

**INTERIM FINANCIAL STATEMENTS 1H 2017**  
**KLAVENESS SHIP HOLDING CONSOLIDATED**

18.08.2017



**Torvald**  
**Klaveness**

## KEY FIGURES

USD '000	FULL YEAR		
	1H 2017 unaudited	1H 2016 unaudited	2016 Audited
<b>Key financials</b> (incl discontinued operations)			
Gross operating revenues	28 046	56 479	89 570
EBITDA	6 965	35 578	47 126
Profit/(loss) before tax (incl. minority interests)	(8 383)	(21 780)	(51 109)
Profit/(loss) before tax (excl. minority interests)	(6 826)	(17 416)	(42 325)
Total assets	411 232	518 934	432 999
Equity (incl. minority)	213 153	239 915	219 997
Equity ratio	52 %	46 %	51 %
Cash and bank deposits	67 189	181 414	102 981

*Klaveness Ship Holding AS ("KSH") was established 31 May 2005 and is fully owned by Rederiaksjeselskapet Torvald Klaveness. Klaveness Ship Holding AS is located in Oslo, Norway, and is the holding company of the ship owning activities in Torvald Klaveness. The consolidated interim financial statements of KSH as of 30.06.2017 comprises of KSH and its subsidiaries.*

## HIGHLIGHTS IN THE FIRST HALF OF 2017

Health, safety and environment are priority number one in Klaveness and to the Board's satisfaction there were no major incidents in the first half of 2017.

The markets where Klaveness Ship Holding AS and subsidiaries (the Group) operate continued to be challenging in 2017. Compared to the first half of 2016, earnings from the combination carriers have been weak for the first half of 2017 mainly due to a weak tanker market and lower transported caustic volumes. Earnings are expected to improve during the second half of 2017 mainly due to a larger number of caustic cargoes and an improved dry bulk market. The container segment faced a stronger charter market during the first months of 2017, before charter rates fell in June. The container market is still suffering from over-supply. During 1H 2017 the container fleet experienced few idle days, and rates above the general market was achieved due to the vessels' fuel efficiency.

The Group achieved an EBITDA of USD 7.0 million in 1H 2017 (1H 2016: USD 35.6 million, of which USD 10.1 million contributed by continued operations). The decrease from last year can be explained by lower earnings from the combination carrier fleet. The Group made a loss before tax (EBT) of USD 8.4 million in 1H 2017 (1H 2016: loss 21.8 million). Cash flow from operations was USD 9.4 million for the first half of 2017 (1H 2016: USD 10.6 million). The balance sheet remains solid with a book equity including minority interest of USD 213.2 million at 30 June 2017 corresponding to an equity ratio of 52 per cent. High solidity and good liquidity was maintained in first half of 2017. The selfunloader and bulk segment is presented as discontinued operations with effect on comparative figures in the consolidated income statement.

Klaveness took delivery of the combination carrier, MV Ballard, in May 2017. EGD Shipholding AS holds a 50 per cent share in the vessel owning company, Ballard Shipping AS. The newbuilding program now consists of three combination carriers with expected delivery in 2018 and 2019.

In connection with the new bond issue (KSH03), the Group repaid the bond KSH 01 of NOK 184 million in January 2017. USD 15.0 million of the revolving credit facility for the container vessels was repaid in February 2017. Available capacity on the revolving credit facility is per 30 June 2017 USD 81 million. The loan facility for MV Bantry was refinanced in March 2017.

## GENERAL INFORMATION

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The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and are based on IAS 34 Interim Financial Reporting.

The interim condensed financial statements of the Group are based on the same accounting principles as the consolidated financial statements of the Group for the year ended 31 December 2016.

## NET RESULT AND FINANCIAL POSITION AT 30 JUNE 2017

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The Group reported total operating revenue from continuing operations of USD 28.0 million in the first half of 2017, compared to USD 28.7 million in 1H 2016. Earnings from the combination carriers weakened, mainly due to a weak tanker market and lower number of transported caustic cargoes. Earnings from the container segment increased due to less idle days. Operating costs for the first half of 2017 amounted to USD 19.5 million (up from USD 16.8 million in first half of 2016), due to delivery of new combination carriers.

EBITDA from continuing operations was USD 7.1 million in 1H 2017 (1H 2016: USD 10.1 million). Net result from financial items is in total negative by USD 4.8 million in 1H 2017, reduced from negative USD 9.3 in 1H 2016 due to reduction and refinancing of the debt in late 2016 and positive mark-to-market effects from financial instruments in the first half of 2017.

Net profit after tax including discontinued operations was negative by USD 8.4 million in 1H 2017 (1H16: negative USD 21.0 million), whereof negative USD 1.6 million (1H16: negative 4.4 million) was minority interests related to external investors in some of the combination and container companies.

Total assets decreased by USD 21.8 million in the first half of 2017 from USD 433.0 million to USD 411.2 million. Main impacts come from repayment and refinancing of debt partly offset by cash increase from minority investors upon delivery of Ballard.

At 30 June 2017, the consolidated equity including minority interests was USD 213.2 million (31.12.16: USD 220.0 million), corresponding to a book equity ratio of 52 per cent. Book equity excluding minority interests was USD 191.6 million. Due to repayment of bond loan, repayment on container RCF and refinancing of the Bantry loan, interest-bearing debt has been reduced from USD 185.0 at year end 2016 to USD 170.2 million at 30 June 2017.

Cash and bank deposits were USD 67.2 million at 30 June 2017. During first half of 2017, Klaveness had a positive cash flow from operating activities of USD 9.4 million (USD 10.6 million). Net cash flow from investments amounts to negative USD 26.8 million (USD 153.5 million), consisting of USD 25.4 million in payments for vessels under construction and USD 1.3 million in dry dock payments. Net cash flow from financing activities of negative USD 18.4 million (negative USD 65.3 million) is mainly net inflows of USD 5.8 million from new debt related to Ballard and refinancing of Bantry and repayment of the KSH01 bond loan of USD 21.1 million.

The accounts are reported under the assumption of a going concern. The Board considers the financial position of the Group at 30 June 2017 to be solid and the liquidity to be good. Bank financing is secured for all vessels, including the three newbuildings. The Group's current cash flow, existing and committed debt and liquidity position is considered sufficient to cover all approved investments.

There have been no major transactions or events subsequent to the closing date that would have a material impact on the evaluation of the financial position of Klaveness Ship Holding AS.

## BUSINESS SEGMENTS

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**Combination carriers:** The cabu vessels are combination carriers transporting both dry cargo and caustic soda in the Far East, the Middle East, Australia, Brazil and North America. At the end of June the cabu pool consisted of nine cabu vessels after taking delivery of three cabu newbuildings from Zhejiang OuHua Shipbuilding Co. Ltd. during the last four months of 2016 and in May 2017.

External investors hold 50 per cent share of ownership in four vessels and 19 per cent in one vessel.

The Group has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2018 and early 2019.

**Container:** The Groups owns and operates a fleet of eight geared container vessels in the feeder segment (1,700 TEU - 3,100 TEU). All vessels are chartered out to liner operators on shorter time charter contracts of up to one year. An increase in charter rates have been seen during the first half of 2017 and the six modern "Eco-Flex" vessels of 2,536 TEU continued to obtain fuel efficiency premiums. The market is still suffering from over-supply.

## MAIN RISKS

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The company's business is exposed to risks in many areas. The Board pays high attention to risk analysis and mitigating actions.

Market risks in the shipping markets relate primarily to changes in the freight rates, fuel prices, vessel values and counterparty credit risk. These risks are monitored and managed.

The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of most entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. To reduce currency and interest rate risk, the company has entered into interest rate swaps converting floating interest payments to fixed rate and the bonds issued in NOK are partly secured with cross currency interest rate swaps, reducing the currency and interest exposure.

The Group is exposed to commercial risks, particularly on customer acceptance of the combination carriers. Klaveness has made extensive efforts to secure vetting acceptance of existing vessels and work closely with customers to document that the new vessel concepts meet all their requirements. There is risk associated with increased competition and dependency on a limited number of key customers, which is mitigated with strong operational performance and continuous development of rendered services.

Operational risks in the shipping activities are managed through quality assurance and control processes and training of seafarers. Quarterly risk reviews ensure that risks are identified, analysed and managed, and that risk-mitigating actions are executed. The organisation is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of the company could have material impact on the business. Procedures to comply with all applicable environmental regulation, sanctions legislation and due diligence checks of counterparties are carried out to lower this exposure.

Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klaveness Ship Management AS (affiliated company) which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met. The vessels sail in waters exposed to piracy. All vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks. Operational risks are also covered by insurance where relevant to cover loss of assets, revenues and contract commitments. The vessels are insured for loss of hire, protection and indemnity (P&I) and total loss (hull and machinery). The latter is aligned with vessel values and loan agreement covenants. The financial impact of a total loss of a vessel will not be material for the Group.

At the end of June 2017, the company had three newbuildings on order. Klaveness has dedicated on-site personnel who supervise the building processes. There is performance risk associated with the newbuildings. Tier one Chinese banks provide refund guarantees.

There were no major unforeseen events of a financial nature during first half of 2017. The liquidity risk of the company is considered to be acceptable. Financing is in place for all newbuildings. Current cash, available undrawn credit and projected operating cash flow are considered sufficient to cover the company's commitments.

# Klaveness Ship Holding AS

## Consolidated Income Statement

Year ended 31  
December

USD '000	Note	Unaudited 1H 2017	Unaudited 1H 2016*	Audited 2016
<b>Continuing operations</b>				
Operating revenue, vessels	Note 2	28 046	28 681	60 146
<b>Total operating revenue</b>		<b>28 046</b>	<b>28 681</b>	<b>60 146</b>
Operating expenses, vessels		(19 464)	(16 787)	(35 616)
Group administrative services	Note 8	(1 330)	(2 245)	(3 668)
Tonnage tax	Note 9	(80)	(73)	(138)
Other operating and administrative expenses		(94)	527	(290)
<b>EBITDA</b>		<b>7 079</b>	<b>10 103</b>	<b>20 434</b>
Ordinary depreciation	Note 4	(10 571)	(10 240)	(20 178)
Impairment loss (-) / reversal	Note 4, 5	-	(36 593)	(60 050)
<b>EBIT</b>		<b>(3 492)</b>	<b>(36 729)</b>	<b>(59 794)</b>
Finance income		1 416	217	980
Finance costs		(6 189)	(9 503)	(17 147)
<b>Profit before tax from continuing operations</b>		<b>(8 265)</b>	<b>(46 016)</b>	<b>(75 961)</b>
Income tax expenses	Note 9	-	784	1 213
<b>Profit after tax from continuing operations</b>		<b>(8 265)</b>	<b>(45 231)</b>	<b>(74 748)</b>
<b>Discontinued operations</b>				
Profit/(loss) after tax for the year from discontinued operations	Note 3	(119)	24 236	24 852
<b>Profit for the year</b>		<b>(8 383)</b>	<b>(20 995)</b>	<b>(49 896)</b>
Attributable to:				
Equity holders of the parent company		(6 826)	(16 632)	(41 112)
Non-controlling interests		(1 557)	(4 363)	(8 783)
<b>Total</b>		<b>(8 383)</b>	<b>(20 995)</b>	<b>(49 896)</b>

\*1H 2016 is adjusted to include dry bulk as discontinued operation (see note 3).

## Klaveness Ship Holding AS

### Consolidated Statement of Other Comprehensive Income

USD '000	Note	Unaudited 1H 2017	Unaudited 1H 2016	Audited 2016
<b>Profit/ (loss) of the period</b>		<b>(8 383)</b>	<b>(20 995)</b>	<b>(49 896)</b>
<i>Other comprehensive income to be reclassified to profit or loss</i>				
Net movement fair value on interest rate swaps		(298)	(326)	8
Net movement fair value on cross-currency interest rate swap		-	2 609	3 827
Reclassification to profit and loss		-	(2 210)	1 412
Income tax effect		-	(18)	(1 320)
<b>Net other comprehensive income to be reclassified to profit or loss</b>		<b>(298)</b>	<b>55</b>	<b>3 926</b>
<i>Other comprehensive income not to be reclassified to profit or loss</i>				
<b>Net other comprehensive income not to be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>(298)</b>	<b>55</b>	<b>3 926</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>		<b>(8 681)</b>	<b>(20 941)</b>	<b>(45 969)</b>
Attributable to:				
Equity holders of the parent company		(7 124)	(16 577)	(37 186)
Non-controlling interests		(1 557)	(4 363)	(8 783)
<b>Total</b>		<b>(8 681)</b>	<b>(20 941)</b>	<b>(45 969)</b>

# Klaveness Ship Holding AS

## Consolidated Balance Sheet Statement

USD '000	Note	As at 30 June		As at 31
		Unaudited 1H 2017	Unaudited 1H 2016	December Audited 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax asset	Note 9	7 510	7 930	7 510
Vessels	Note 4	301 432	248 492	274 954
Newbuilding contracts	Note 5	21 717	61 118	31 995
Financial assets		740	-	1 052
<b>Total non-current assets</b>		<b>331 399</b>	<b>317 539</b>	<b>315 511</b>
<b>Current assets</b>				
Inventories		1 588	1 300	1 473
Accounts receivable		362	496	462
Receivables from related parties		5 385	7 430	6 814
Prepaid expenses		2 227	1 782	1 750
Other short-term receivables		3 080	8 972	4 007
Cash and cash equivalents		67 189	181 414	102 981
<b>Total current assets</b>		<b>79 833</b>	<b>201 394</b>	<b>117 488</b>
<b>TOTAL ASSETS</b>		<b>411 232</b>	<b>518 934</b>	<b>432 999</b>



# Klaveness Ship Holding AS

## Consolidated Balance Sheet Statement

USD '000	Note	As at 30 June		As at 31
		Unaudited 1H 2017	Unaudited 1H 2016	December Audited 2016
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		1 817	1 817	1 817
Share premium		6 568	6 568	6 568
Other reserves		-	-3 836	35
Retained earnings		183 235	223 345	194 233
<b>Equity attributable to equity holders of the parent</b>		<b>191 621</b>	<b>227 894</b>	<b>202 653</b>
Non-controlling interests		21 533	12 021	17 344
<b>Total equity</b>		<b>213 153</b>	<b>239 915</b>	<b>219 997</b>
<b>Non-current liabilities</b>				
Mortgage debt	Note 6	113 703	137 411	109 758
Bond loans	Note 7	34 981	68 824	34 141
Financial liabilities		19 066	36 870	20 217
<b>Total non-current liabilities</b>		<b>167 749</b>	<b>243 105</b>	<b>164 116</b>
<b>Current liabilities</b>				
Short-term mortgage debt	Note 6	21 549	27 532	41 100
Accounts payable		1 064	1 457	874
Current debt to related parties		728	747	1 577
Tax payable	Note 9	-	1 230	-
Tonnage tax payable		219	253	139
Other current liabilities		6 771	4 694	5 196
<b>Total current liabilities</b>		<b>30 329</b>	<b>35 913</b>	<b>48 886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>411 232</b>	<b>518 934</b>	<b>432 999</b>

Oslo, 30 June 2017  
Oslo, 18 August 2017

Lasse Kristoffersen  
Chairman of the Board

Bent Martini  
Board member

Liv Hege Dyrnes  
Board member

Morten Skedsmo  
Managing Director

**Klaveness Ship Holding AS**  
**Consolidated Statement of Changes in Equity**

Attributable to equity holders of the parent

	Share capital	Share premium	Other paid in capital	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity at 31 December 2015</b>	<b>1 817</b>	<b>16 861</b>	<b>5 585</b>	<b>(3 891)</b>	<b>239 976</b>	<b>260 347</b>	<b>19 491</b>	<b>279 838</b>
Profit (loss) for the period					(16 632)	(16 632)	(4 363)	(20 995)
Other comprehensive income for the period				55		55		55
<b>Total comprehensive income for the period</b>				<b>55</b>	<b>(16 632)</b>	<b>(16 577)</b>	<b>(4 363)</b>	<b>(20 941)</b>
Payments to non-controlling interests						-	(3 107)	(3 107)
Group contribution with tax effect					0	0	-	0
Group contribution without tax effect		(10 293)	(5 585)		0	(15 878)	-	(15 878)
<b>Equity at 30 June 2016</b>	<b>1 817</b>	<b>6 568</b>	<b>(0)</b>	<b>(3 836)</b>	<b>223 344</b>	<b>227 891</b>	<b>12 021</b>	<b>239 912</b>
Profit (loss) for the period					(24 480)	(24 480)	(4 420)	(28 900)
Other comprehensive income for the period				3 871		3 871		3 871
<b>Total comprehensive income for the period</b>				<b>3 871</b>	<b>(24 480)</b>	<b>(20 609)</b>	<b>(4 420)</b>	<b>(25 029)</b>
Payments to non-controlling interests						-	(1 742)	(1 742)
Group contribution with tax effect			0		371	371	-	371
Group contribution without tax effect					-	-	-	-
Capital increase in non-controlling interests							11 485	11 485
Dividend payment					(5 000)	(5 000)	-	(5 000)
<b>Equity at 31 December 2016</b>	<b>1 817</b>	<b>6 568</b>	<b>0</b>	<b>35</b>	<b>194 234</b>	<b>202 653</b>	<b>17 344</b>	<b>219 997</b>
Profit (loss) for the period					(6 826)	(6 826)	(1 557)	(8 383)
Other comprehensive income for the period				(298)		(298)		(298)
<b>Total comprehensive income for the period</b>				<b>(298)</b>	<b>(6 826)</b>	<b>(7 124)</b>	<b>(1 557)</b>	<b>(8 681)</b>
Capital increase in non-controlling interests						0	6 500	6 500
Payments to non-controlling interests						-	(702)	(702)
Group contribution					(3 962)	(3 962)	-	(3 962)
Dividend payment						-		-
<b>Equity at 30 June 2017</b>	<b>1 817</b>	<b>6 568</b>	<b>-</b>	<b>(263)</b>	<b>183 446</b>	<b>191 567</b>	<b>21 585</b>	<b>213 153</b>

**Hedging reserve**

The reserve contains total net changes in the fair value of financial instruments recognized to fair value with changes through OCI.

**Klaveness Ship Holding AS**  
**Consolidated Statement of Cash Flows**

USD '000	Note	Unaudited 1H 2017	Unaudited 1H 2016	Audited 2016
Profit before tax from continuing operations		(8 265)	(46 016)	(75 961)
Profit before tax from discontinuing operations		(119)	24 236	24 852
<b>Profit before tax</b>		<b>(8 383)</b>	<b>(21 780)</b>	<b>(51 109)</b>
Tonnage tax expensed		80	73	151
Net gain/loss fixed assets	Note 3	-	(26 297)	(26 313)
Ordinary depreciation	Note 4	10 571	10 634	20 573
Impairment loss/ reversal	Note 4	-	37 344	61 201
Amortization of upfront fees bank loans		305	411	1 421
Financial derivatives unrealised loss / gain (-)		(1 136)	3 397	2 855
Refinancing cost		-	-	1 618
Reversal provision		-	-	(500)
Gain /loss on foreign exchange		771	279	31
Interest income		(279)	(496)	(948)
Interest expenses		4 674	5 682	11 501
Taxes paid for the period		-	(409)	(1 459)
Change in receivables		2 456	5 186	8 618
Change in current liabilities		915	(4 277)	(3 477)
Change in other working capital		(870)	336	(75)
Interest received		279	496	948
<b>A: Net cash flow from operating activities</b>		<b>9 380</b>	<b>10 579</b>	<b>25 036</b>
Acquisition of tangible assets	Note 4	(1 349)	(1 579)	(2 637)
Installments and cost on newbuilding contracts	Note 5	(25 424)	(34 967)	(84 239)
Payment received disposal of vessels	Note 3	-	190 000	211 021
<b>B: Net cash flow from investment activities</b>		<b>(26 772)</b>	<b>153 454</b>	<b>124 145</b>
Proceeds from mortgage debt		36 890	12 838	94 323
Proceeds from bond loan		-	-	35 273
Transaction costs on issuance of loans		(372)	-	(1 542)
Repayment of mortgage debt		(31 008)	(53 507)	(169 735)
Repayment of bond loan		(21 099)	-	(48 299)
Terminated financial instruments		-	-	(12 708)
Interest paid		(4 674)	(5 682)	(11 501)
Cash proceeds from issuing of shares non-controlling interests		6 500	-	11 485
Group contribution/dividend		(3 962)	(15 878)	(20 507)
Dividends to non-controlling interests		(702)	(3 107)	(4 849)
<b>C: Net cash flow from financing activities</b>		<b>(18 427)</b>	<b>(65 336)</b>	<b>(128 060)</b>
<b>Net change in liquidity in the period (A + B + C)</b>		<b>(35 818)</b>	<b>98 697</b>	<b>21 121</b>
Net foreign exchange difference		26	270	(587)
		<b>(35 792)</b>	<b>98 967</b>	<b>20 534</b>
Cash and cash equivalents at beginning of period		102 981	82 447	82 447
Cash and cash equivalents at end of period		67 189	181 414	102 981
<b>Net change in cash and cash equivalents in the period</b>		<b>(35 792)</b>	<b>98 967</b>	<b>20 534</b>
Undrawn facilities*	Note 6	159 434	73 000	175 900

\* Includes undrawn part of a Revolving credit facility and committed but undrawn part of loans for the vessels under construction.

## CORPORATE INFORMATION

Klaveness Ship Holding AS ( "parent company"/KSH) is a private limited company domiciled and incorporated in Norway. The parent company has headquarter and is registered in Drammensveien 260, 0212 Oslo. Klaveness Ship Holding's consolidated interim financial statements for the first half of 2017 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

## ACCOUNTING POLICIES

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and are based on IAS 34 *Interim Financial Reporting*.

The interim condensed financial statements of the Group should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS, as adopted by the European Union.

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Klaveness Ship Holding's annual consolidated financial statements of for the year ended 31 December 2016.

## Note 2 - Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the executive management (chief operating decision-maker).

The financial reporting is divided into the following operating segments:

- Combination carriers
- Container vessels
- Other/administration
- Dry bulk investments (discontinued operations in 2016, see note 3)
- Selfunloader vessels (SUL) (discontinued operations in 2015, see note 3)

All segments have worldwide activities. The Group 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 optimize income. Consequently, the Group's operating shipping activities are not attributed to specific geographical markets.

Combination carriers are specialized vessels. Cabus are constructed to carry caustic soda and dry bulk. The Group owns nine cabu vessels which participate in a pool operated by Cabu Chartering AS (affiliated company). The Group has three combination carriers under construction at Jiangsu New Yangzi Shipbuilding Co., Ltd in China, scheduled for delivery in 2018/2019.

The container vessels are standard vessels which are operated on short term time-charter (TC) agreements. The Group owns eight container vessels.

In December 2016, the Group sold the only owned dry bulk vessel, MV Bavang (see note 3). The vessel was delivered from the yard in February 2016.

The Group's five selfunloader vessels were delivered to their new owners in January 2016.

The remaining of the Group's activities, eliminations and intra group transactions are shown in the "other/administration" column. The Group's administration costs and other shared costs have been allocated to segments. Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

Information regarding the Group's reportable segments is presented below. Interest income and interest expense have not been allocated to segments, as the financing is managed on a group basis.

### Income statement by segments 1 January - 30 June 2017

(USD'000)	Combination carriers	Container vessels	Other/admin	Total consolidated
Operating revenue, vessels	17 652	10 395	-	28 046
<b>Total operating revenue</b>	<b>17 652</b>	<b>10 395</b>	<b>-</b>	<b>28 046</b>
Operating expenses, vessels	(10 446)	(9 018)	-	(19 464)
Tonnage tax	(46)	(33)	-	(80)
Ordinary depreciation	(8 069)	(2 502)	-	(10 571)
Impairment	-	-	-	-
Other operating and adm expenses	(592)	(646)	(185)	(1 424)
<b>Total operating expenses</b>	<b>(19 153)</b>	<b>(12 200)</b>	<b>(185)</b>	<b>(31 539)</b>
<b>Operating profit/EBIT</b>	<b>(1 501)</b>	<b>(1 806)</b>	<b>(185)</b>	<b>(3 492)</b>

**Note 2 - Segment reporting (cont.)**

**Balance sheet by segments at 30 June 2017**

<b>(USD '000)</b>	<b>Combination carriers</b>	<b>Container vessels</b>	<b>Other/ admin</b>	<b>Total consolidated</b>
<b>ASSETS</b>				
Vessels	187 833	113 600		301 433
Newbuilding contracts	21 717	-	-	21 717
Other non-current assets	-	-	8 250	8 250
<b>Total non-current assets</b>	<b>209 550</b>	<b>113 600</b>	<b>8 250</b>	<b>331 398</b>
Cash	63 520	1 864	1 805	67 189
Current assets	7 880	4 707	57	12 643
<b>Total current assets</b>	<b>71 400</b>	<b>6 571</b>	<b>1 862</b>	<b>79 833</b>
<b>TOTAL ASSETS</b>	<b>280 950</b>	<b>120 171</b>	<b>10 111</b>	<b>411 232</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity	152 786	102 727	(42 361)	213 152
Interest bearing debt	99 449	14 253	-	113 703
Bond loans	-	-	34 981	34 981
Other non-current financial liabilities	1 668	8	17 390	19 066
<b>Total non-current liabilities</b>	<b>101 117</b>	<b>14 262</b>	<b>52 371</b>	<b>167 749</b>
Short-term interest bearing debt	21 549	-	-	21 549
Other current liabilities	5 498	3 181	101	8 780
<b>Total current liabilities</b>	<b>27 047</b>	<b>3 181</b>	<b>101</b>	<b>30 329</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>280 950</b>	<b>120 171</b>	<b>10 111</b>	<b>411 232</b>
Capital expenditure Vessels	1 349	-	-	1 349
Capital expenditure newbuildings	25 002	-	-	25 002
Cash from operation	6 567	697	2 116	9 380

**Income statement by segments 1 January - 30 June 2016**

<b>(USD'000)</b>	<b>Combination carriers</b>	<b>Container vessels</b>	<b>Other/ admin</b>	<b>Total consolidated</b>
Operating revenue, vessels	19 747	8 935	(0)	28 682
<b>Total operating revenue</b>	<b>19 747</b>	<b>8 935</b>	<b>(0)</b>	<b>28 682</b>
Operating expenses, vessels	(7 880)	(8 867)	(194)	(16 940)
Group administrative services	(902)	(1 123)	-	(2 027)
Tonnage tax	(31)	(42)	-	(73)
Ordinary depreciation	(6 070)	(4 171)	-	(10 240)
Impairment	-	(36 593)	-	(36 593)
Other operating and adm expenses	(21)	(21)	500	460
<b>Total operating expenses</b>	<b>(14 904)</b>	<b>(50 817)</b>	<b>306</b>	<b>(65 413)</b>
<b>Operating profit/EBIT</b>	<b>4 843</b>	<b>(41 882)</b>	<b>306</b>	<b>(36 729)</b>

Note 2 - Segment reporting (cont.)

Balance sheet by segments at 30 June 2016

(USD '000)	Combination carriers	Container vessels	Dry bulk investments	Other/admin	Total consolidated
<b>ASSETS</b>					
Vessels	86 759	142 733	19 000		248 493
Newbuilding contracts	61 118	-	-	-	61 118
Other non-current assets	-	-	-	7 930	7 930
<b>Total non-current assets</b>	<b>147 878</b>	<b>142 733</b>	<b>19 000</b>	<b>7 930</b>	<b>317 539</b>
Cash	149 508	870	5 033	26 003	181 414
Current assets	13 896	5 573	-	511	19 980
<b>Total current assets</b>	<b>163 404</b>	<b>6 443</b>	<b>5 033</b>	<b>26 514</b>	<b>201 394</b>
<b>TOTAL ASSETS</b>	<b>311 282</b>	<b>149 176</b>	<b>24 033</b>	<b>34 444</b>	<b>518 934</b>
<b>EQUITY AND LIABILITIES</b>					
Total equity	242 350	52 009	11 016	(65 460)	239 915
Interest bearing debt	42 083	83 347	11 981	-	137 411
Bond loans	-	-	-	68 824	68 824
Other non-current financial liabilities	5 365	426	-	31 079	36 870
<b>Total non-current liabilities</b>	<b>47 448</b>	<b>83 773</b>	<b>11 981</b>	<b>99 903</b>	<b>243 105</b>
Short-term interest bearing debt	17 173	9 504	855	-	27 532
Other current liabilities	4 311	3 888	181	-	8 380
<b>Total current liabilities</b>	<b>21 484</b>	<b>13 392</b>	<b>1 036</b>	<b>-</b>	<b>35 913</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>311 282</b>	<b>149 176</b>	<b>24 033</b>	<b>34 444</b>	<b>518 934</b>
Capital expenditure Vessels	(1 562)	(17)	-	-	(1 579)
Capital expenditure newbuildings	(15 743)	-	(19 224)	-	(34 967)
Cash from operation	(15 000)	(841)	(19 895)	46 315	10 579

Income statement by segments 1 January- 31 December 2016\*

(USD'000)	Combination carriers	Container vessels	Other/admin	Total consolidated	
Operating revenue, vessels		41 026	19 120	-	60 146
<b>Total operating revenue</b>		<b>41 026</b>	<b>19 120</b>	<b>-</b>	<b>60 146</b>
Operating expenses, vessels		(17 136)	(18 980)	500,00	(35 616)
Loss from sale		-	-	-	0
Ordinary depreciation		(12 812)	(7 366)	-	(20 178)
Impairment		-	(60 050)	-	(60 050)
Tonnage tax		(68)	(70)	-	(138)
Other operating and adm expenses		(1 368)	(2 318)	(271)	(3 956)
<b>Total operating expenses</b>		<b>(31 385)</b>	<b>(88 784)</b>	<b>229</b>	<b>(119 939)</b>
<b>Operating profit/EBIT</b>		<b>9 641</b>	<b>(69 664)</b>	<b>229</b>	<b>(59 794)</b>

\*Discontinued operations - see note 3.

Note 2 - Segment reporting (cont.)

Balance sheet by segments 1 January - 31 December 2016

(USD '000)	Combination carriers	Container vessels	Other*/ admin	Total consolidated
<b>ASSETS</b>				
Vessels	158 852	116 102	-	274 954
Newbuilding contracts	31 995	-	-	31 995
Financial assets	1 052	-	-	1 052
Other non-current assets	-	-	7 510	7 510
<b>Total non-current assets</b>	<b>191 898</b>	<b>116 102</b>	<b>7 510</b>	<b>315 511</b>
Cash	64 908	2 865	35 208	102 981
Current assets	9 723	4 451	333	14 507
<b>Total current assets</b>	<b>74 631</b>	<b>7 316</b>	<b>35 541</b>	<b>117 488</b>
<b>TOTAL ASSETS</b>	<b>266 529</b>	<b>123 418</b>	<b>43 051</b>	<b>432 999</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity	160 484	91 383	(31 869)	219 997
Interest bearing debt	80 574	29 184	-	109 758
Bond loans	-	-	34 141	34 141
Other non-current financial liabilities	2 117	60	18 039	20 217
<b>Total non-current liabilities</b>	<b>82 691</b>	<b>29 245</b>	<b>52 180</b>	<b>164 116</b>
Short-term interest bearing debt	19 818	-	21 283	41 100
Other current liabilities	3 536	2 791	1 458	7 785
<b>Total current liabilities</b>	<b>23 354</b>	<b>2 791</b>	<b>22 741</b>	<b>48 886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>266 529</b>	<b>123 418</b>	<b>43 051</b>	<b>432 999</b>
* Includes assets and liabilities related to assets held for sale/discontinued operations.				
Capital expenditure Vessels	(2 597)	(40)	-	(2 637)
Capital expenditure newbuildings	(64 844)	-	-	(64 844)
Cash from operation	19 856	(2 288)	229	17 797



### Note 3 - Discontinued operations

The five selfloader vessels were sold in November 2015 and delivered to their new owners in January 2016. A gain of USD 26.2 million was recognized in 1H 2016. Recognized gain of USD 0.2 million in 2H 2016 relates to finalizing of sale of bulk options from 2013.

The Kamsarmax vessel Bavang was sold in October 2016 and delivered to the new owner in December 2016. A loss of USD 0.1 million was recognized in 2016. After the sale, the Group no longer owns any standard dry bulk vessels.

With selfloader vessels and the kamsarmax vessel classified as discontinued operations, the selfloader and dry bulk investments segments are no longer presented in the segment note (note 2). Profit after tax from discontinued operation is presented separately in the consolidated income statement for 2017 and 2016.

The total result of discontinued operation is presented below.

USD '000	1H 2017	1H 2016	2016
Operating revenue, vessels	-	1 557	2 982
Gain from sale of fixed assets	-	26 240	26 443
<b>Total operating revenue</b>	<b>-</b>	<b>27 797</b>	<b>29 424</b>
Operating expenses, vessels	(95)	(2 022)	(2 223)
Loss from sale fixed assets	-	-	(130)
Ordinary depreciation	-	(394)	(394)
Impairment reversal	-	(751)	(1 151)
Other operating and adm expenses	(19)	(301)	(379)
<b>Operating profit/EBIT</b>	<b>(113)</b>	<b>24 329</b>	<b>25 147</b>
Finance income	0	-	-
Finance costs	(5)	(91)	(292)
<b>Profit/(loss) before tax</b>	<b>(119)</b>	<b>24 238</b>	<b>24 854</b>
Income tax expenses	-	(2)	(2)
<b>Profit/(loss) after tax from discontinued operations</b>	<b>(119)</b>	<b>24 236</b>	<b>24 852</b>

Cash flows from discontinued operations are not presented separately in the cash flow statement. Cash flows from discontinued operations are as follows:

USD '000	1H 2017	1H 2016	2016
Net cash flow from operating activities	(119)	-	79
Net cash flow from investment activities	-	190 000	191 428
Net cash flow from financing activities	-	(46 271)	(45 471)
<b>Net cash flow from discontinued operations</b>	<b>(119)</b>	<b>143 729</b>	<b>146 036</b>

**Note 4 - Vessels**

<b>30/06/2017</b>	<b>Combination carriers</b>		<b>Container</b>	<b>Total vessels</b>
Cost price 1.1	288 498	254 319		542 817
Adjustment acquisition value newbuildings delivered	422	-		422
Delivery of newbuildings	35 279	-		35 279
Additions (mainly upgrading and docking of vessels)	1 349	-		1 349
<b>Costprice 30.06</b>	<b>325 548</b>	<b>254 319</b>		<b>579 867</b>
Acc. Depreciation 1.1	129 647	26 529		156 176
Depreciation for the year	8 068	2 502		10 571
<b>Acc. depreciation 30.06</b>	<b>137 715</b>	<b>29 032</b>		<b>166 747</b>
Acc. impairment losses 1.1	-	111 688		111 688
Impairment for the year	-	-		-
Impairment reclassified from newbuildings	-	-		-
<b>Acc. impairment losses 30.06</b>	<b>-</b>	<b>111 688</b>		<b>111 688</b>
<b>Carrying amounts 30.06.2017*</b>	<b>187 833</b>	<b>113 600</b>		<b>301 432</b>
*) carrying value of vessels includes dry-docking				
No. of vessels	9	8		17
Useful life	20	25		
Depreciation schedule	Straight-line	Straight-line		

<b>30/06/2016</b>	<b>Kamsarmax</b>	<b>Combination carriers</b>		<b>Total vessels</b>
Cost price 1.1	-	210 267	254 279	464 546
Delivery of newbuildings	28 140	-	-	28 140
Additions (mainly upgrading and docking of vessels)	-	1 562	17	1 579
<b>Costprice 30.06</b>	<b>28 140</b>	<b>211 828</b>	<b>254 296</b>	<b>494 264</b>
Acc. Depreciation 1.1	-	118 999	19 161	138 161
Depreciation for the year	394	6 070	4 171	10 635
<b>Acc. depreciation 30.06</b>	<b>394</b>	<b>125 069</b>	<b>23 332</b>	<b>148 796</b>
Acc. impairment losses 1.1	-	-	51 637	51 637
Impairment for the year	751	-	36 593	37 344
Impairment reclassified from newbuildings	7 994	-	-	7 994
<b>Acc. impairment losses 30.06</b>	<b>8 745</b>	<b>-</b>	<b>88 231</b>	<b>96 976</b>
<b>Carrying amounts 30.06.2015*</b>	<b>19 000</b>	<b>86 759</b>	<b>142 733</b>	<b>248 492</b>
*) carrying value of vessels includes dry-docking				
No. of vessels	1	6	8	15
Useful life	20	20	25	
Depreciation schedule	Straight-line	Straight-line	Straight-line	

**2016**

<b>Vessels</b>	<b>Combination carriers</b>		<b>Container</b>	<b>Total vessels</b>
Cost price 1.1	210 267	254 279		464 546
Delivery of newbuildings	77 798			77 798
Additions (mainly upgrading and docking of vessels)	2 597	40		2 637
Disposals	(2 164)			(2 164)
<b>Costprice 31.12</b>	<b>288 498</b>	<b>254 319</b>		<b>542 817</b>
Acc. Depreciation 1.1	118 999	19 161		138 161
Depreciation for the year	12 812	7 368		20 178
Reclass/disposal	(2 164)	-		(2 164)
<b>Acc. depreciation losses 31.12</b>	<b>129 647</b>	<b>26 529</b>		<b>156 175</b>
Acc. impairment losses 1.1	-	51 637		51 637
Impairment for the year	-	60 050		60 050
<b>Acc. impairment losses 31.12</b>	<b>-</b>	<b>111 688</b>		<b>111 688</b>
<b>Carrying amounts 31.12.2016*</b>	<b>158 851</b>	<b>116 102</b>		<b>274 954</b>
*) carrying value of vessels includes dry-docking				
No. of vessels	8	8		16
Useful life	20	25		
Depreciation schedule	Straight-line	Straight-line		

#### Note 4 - Vessels (cont.)

##### Pledged vessels

All owned vessels are pledged to secure the various loan facilities (refer to note 6 for further information).

##### Additions

The third combination carrier, MV Ballard, was delivered in May 2017 from Zhejiang Ouhua Shipbuilding in China. In connection with delivery, the Group withheld USD 4 million from the delivery installment for MV Ballard (not included in vessel value). The yard is obliged to complete pending items related to MV Ballard and the two sister vessels MV Balboa and MV Baffin by latest 12 months after delivery of each vessel. The withheld amount, equal to USD 1 333 333 per vessel, falls due for payment to the yard (partly or wholly) when the pending items for each vessel have been completed. If the pending items are not completed within 12 months after delivery of each vessels, the Group will retain the withheld amount of USD 1 333 333 per vessel. The pending items are not critical for the daily operations of the vessels, but will be rectified by the Group if the yard has not completed the work within the agreed period.

##### Disposals of vessels

No disposals of vessels in 1H 2017.

##### Impairment assessment

The Group has performed an impairment test where the value in use is calculated using estimated cash flows.

The estimated cash flows are based on management's best estimate and reflect the Group's expectations of the market in the different segments. The present value of future cash flows is based on a pre-tax weighted average cost of capital (WACC) of 8.5 % in 2017 (2016: 8.5 %). Cash flows are estimated over the remaining life of the vessel, with an estimated residual value at the end of the economic life. From 2021 and onwards, the cash flows are based on a zero-growth scenario, however an escalating factor of an average 2.0 % inflation rate has been included for all operating expenses for all years until scrapping.

##### Container vessels

The Group has calculated value in use of each vessel by discounting expected future cash flows. Value in use has been calculated by weighting different scenarios in line with the Groups business strategy.

Dependent on how the market develops, the different scenarios include 1) high case 2) base case 3) low case. TC rates differentiates in the three different scenarios. The management is of the opinion that weighting of three different scenarios take into account uncertainties in the estimates used in the cash flow model and the fact that shipping is a cyclical industry.

Recoverable amount has been set as the highest of estimated value in use and broker values. Recoverable amount has been compared to book values.

Calculated value in use are above book value and/or within range of max and min broker value for all eight vessels, hence no impairment recognised for the container vessels at 30 June 2017 (30 June 2016: USD 36.5 million). Book value of container vessels amounts USD 113.6 million at 30 June 2017 (USD 142.8 million at 30 June 2016). A reduction in estimated TC rates in base case from 2017 and onwards of USD 1 000 per day would result in impairment of approx USD 1.7 million per vessel of the newest class (six out of in total eight vessels). An increase in WACC of 1 % results in an impairment of approx USD 1 million per vessel of the newest class.

##### Combination carriers

Cash flow projections for the cabu vessels over the remaining economic life of the vessels show a net present value which is higher than the booked value of the fleet (considered as one cash generating unit). No impairment has been recognized for the cabu vessels at 30 June 2017 (2016: 0).

A reduction in estimated TC rate from 2017 and onwards of USD 2 100 per day would result in value in use equal to booked values for the fleet of combination carriers. Value in use will be aligned with book value if WACC is set as 12.7 %.

The below summarizes the total impairment cost/reversal:

<b>Impairment loss (-)/ reversal</b>	<b>1H 2017</b>	<b>1H 2016</b>	<b>2016</b>
Impairment of vessels	-	(37 344)	(60 050)
<b>Total impairment loss (-) / reversal</b>	-	<b>(37 344)</b>	<b>(60 050)</b>

## Note 5 - Newbuildings

The Group took delivery of the third and last cabu newbuilding from Zeijiang OuHua Shipbuilding Co., Ltd in China 10 May 2017.

The Group also has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2018/2019. The contracts include options for further vessels.

### 30.06.2017

Investments in newbuildings	Combination	
	carriers	Total
Cost 1.1	31 995	31 995
Borrowing cost*	818	818
Yard installments paid	23 609	23 609
Other capitalized cost	575	575
Reallocation of supervision fee	-	-
Delivery of newbuildings	(35 279)	(35 279)
Impairment reclassified to vessels	-	-
<b>Net carrying amount at 30.06.2017</b>	<b>21 717</b>	<b>21 717</b>

### 30.06.2016

Investments in newbuildings	Combination		Total
	carriers	Kamsarmax	
Cost 1.1	45 328	558	45 886
Borrowing cost*	241	171	411
Yard installments paid	14 520	19 079	33 599
Other capitalized cost	1 223	145	1 368
Reallocation of supervision fee	(194)	194	-
Delivery of newbuildings	-	(28 141)	(28 141)
Impairment reclassified to vessels	-	7 994	7 994
<b>Net carrying amount at 30.06.2016</b>	<b>61 118</b>	<b>-</b>	<b>61 118</b>

### 2016

Investments in newbuildings	Combination		Total
	carriers	Kamsarmax	
Cost 1.1	45 328	558	45 886
Borrowing cost*	1 245	171	1 415
Yard installments paid	59 266	19 079	78 345
Other capitalized cost	4 333	145	4 478
Reallocation of supervision fee	-	194	194
Delivery of newbuildings	(78 177)	(28 141)	(106 318)
Impairment reclassified to vessels	-	7 994	7 994
<b>Net carrying amount at 31.12.2016</b>	<b>31 995</b>	<b>-</b>	<b>31 995</b>

\* Borrowing costs are capitalised to the extent that they are directly related to the acquisition of the vessel. See note 6 for further information of financing of newbuildings.

## Note 6 - Interest bearing debt and financial instruments

The below table presents the Group's carrying amount of interest bearing debt by non-current and current portions for the interim period ending 30 June 2017, 30 June 2016 and full year ended 31 December 2016. All debt except for the bond loans (NOK) are denominated in USD, ref note 7 for further information on bond loans.

As of 30 June 2017, the Group had a total of USD 170.6 million in interest bearing debt (incl capitalized fees) of which USD 149.0 million was classified as non-current debt and USD 21.5 million was classified as current debt. An overview of the loan facilities in the Group is presented below. Mortgage debt is subject to an interest rate of LIBOR plus a margin of in range 2-3.10.

Mortgage debt related to the Bantry facility was refinanced in March 2017. The new loan facility has a tenor of 5 years and is guaranteed by T Klaveness Shipping AS.

Loan facilities related to financing of Banasol and Banastar falls due in April 2018, hence the facilities are classified as current debt as per 30 June 2017. The loans will likely be refinanced in 1H 2018.

The Group has secured financing for the three newbuildings with expected delivery in 2018/2019. The owner of the vessels, T. Klaveness Shipping AS, is the borrower and the USD 93 million post delivery term loan has a tenor of five years from drawdown.

Mortgage debt	Description	Maturity	Carrying amount	Fair value
RCF container	SEB/DNB/Danske Bank	February 2021	15 000	15 000
Term Loan facility	Nordea/Danske Bank	March 2022	35 661	35 661
Banasol	SEB	April 2018	6 000	6 000
Banastar	SEB	April 2018	6 000	6 000
Bantry	Danske Bank	March 2022	9 180	9 180
Bakkedal	Nordea	Sept 2021	10 792	10 792
Baffin/Ballard	Nordea/Danske Bank	March 2022	54 033	54 033
Capitalized loan fees			(1 415)	-
<b>Mortgage debt 30 June 2017</b>			<b>135 251</b>	<b>136 666</b>

Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial. Fair value is not based on observable market data (financial hierarchy level 3).

30 June 2017 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	115 117	21 549	136 666
Transaction costs mortgage debt	(1 415)	-	(1 415)
Bond loan	35 475	-	35 475
Transaction costs bond loan	(494)	-	(494)
Interest rate swaps (IRS) (for hedging purposes)	326	-	326
<b>Total interest bearing debt</b>	<b>149 009</b>	<b>21 549</b>	<b>170 558</b>

30 June 2016 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	137 852	27 532	165 384
Transaction costs mortgage debt	(441)	-	(441)
Bond loan	69 663	-	69 663
Transaction costs bond loan	(839)	-	(839)
Cross currency interest rate swap (CCIRS)	31 079	-	31 079
Interest rate swaps (IRS) (for hedging purposes)	426	-	426
<b>Total interest bearing debt</b>	<b>237 740</b>	<b>27 532</b>	<b>265 272</b>

2016 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	110 966	19 818	130 784
Transaction costs mortgage debt	(1 208)	-	(1 208)
Bond loan	34 700	21 283	55 982
Transaction costs bond loan	(559)	-	(559)
<b>Total interest bearing debt</b>	<b>143 899</b>	<b>41 100</b>	<b>184 999</b>

## Note 6 - Interest bearing debt and financial instruments (cont.)

The Group has undrawn committed bank facilities available at 30 June 2017, as follows:

USD mill	Credit	Drawn up	Available
RCF Container, USD 90 million	81	15	66
T. Klavness Shipping AS, USD 93 mill*	93	-	93
<b>Total</b>	<b>174</b>	<b>15</b>	<b>159</b>

\* Committed to newbuildings. Available on delivery of the vessels.

### Maturity profile to financial liabilities at 30 June 2017

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt and bond loan includes interest payments and interest and currency hedge.

Maturity profile financial liabilities at 30 June 2017	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)**	27 098	28 904	102 552	-	158 554
Bond loan (incl interests)	2 297	4 710	37 975	-	44 982
Accounts payable	1 064	-	-	-	1 064
Current debt to related parties	728	-	-	-	728
	<b>31 186</b>	<b>33 614</b>	<b>140 527</b>	<b>-</b>	<b>205 327</b>

\*\*Loan facility for Banasol and Banastar falls due in April 2018 and is included in < 1 year.

### Commitments newbuildings

The commitments related to newbuildings are set out below. Three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China are scheduled for delivery in 2018 and early 2019.

Remaining installments at 30 June 2017	2017	2018	2019	Total
Combination carriers	19 370	72 720	33 740	125 830
<b>Total commitments newbuildings</b>	<b>19 370</b>	<b>72 720</b>	<b>33 740</b>	<b>125 830</b>

### Hedging

The Group has entered into interest rate swap agreements designated as cash flow hedges to partly hedge interest rate exposure related to the Group's long term mortgage debt. The purpose of these interest rate swaps is to limit the interest rate exposure related to the loans. When interest rate swaps qualify for hedge accounting, the fair value movement is recognised in other comprehensive income until realization of the hedged transaction. Fair value of interest rate swaps which qualify for hedge accounting is USD 0.3 million (liability) as per 30 June 2017 (2016: USD 35k (liability)).

The Group's interest rate and currency swap agreements that are not effective cash flow hedges, are recognised at fair value with changes through profit & loss.

### Covenants

The credit facilities impose restrictions which may limit or prohibit the ability for some of the entities in the Group to incur additional indebtedness, sell shares in subsidiaries, commit to new capital expenditure, pay dividends, engage in mergers and demergers or purchase and sell vessels without the consent of the lenders (non-financial covenants). In addition, lenders may accelerate the maturity of the indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of defaults.

The credit facilities also contain financial covenants. Klavness Ship Holding AS on a consolidated basis has covenants related to equity of USD 125 million, minimum equity ratio of 30 % and minimum cash of USD 15 million. On other levels in the Group the covenants varies. In addition all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan. Certain cross-default exists. The Group is in compliance for all of its covenants at 30 June 2017.

### Securities

All the Group's vessels are mortgaged and in addition the banks have assignment in earnings and insurances of the vessel and pledge over earnings accounts. Some loans have pledge in shares in single purpose entities (Baffin, Ballard, Bantry and Bakkedal).

Book value of collateral, mortgaged and leased assets	30 June 2017	30 June 2016	2016
Vessels	301 432	248 492	274 954
<b>Total book value of collateral, mortgaged and leased assets</b>	<b>301 432</b>	<b>248 492</b>	<b>274 954</b>

## Note 7 - Bond loans

The Group entered into a bond agreement in December 2016. Klaveness Ship Holding AS (the Issuer) issued a senior unsecured bond of NOK 300 million with maturity in May 2021 (KSH03). The bond loan has a borrowing limit of NOK 500 million, hence subsequent issues may take place over the tenor of the bond. Tap issues are conditional on the market price and on investor appetite on the date of the tap issue.

The new bond issue replaced the bond issues KSH02 and KSH01 which was repaid in December 2016 and January 2017 respectively. The bond loan (KSH03) is listed on Nordic ABM and has a bullet structure with no repayment until maturity in 2021. The bond loan is subject to an interest rate of 3M NIBOR plus a margin of 5.25.

Covenants are described in note 6.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000)		
			30.06.2017	30.06.2016	2016
<b>KSH03</b>					
Original loan amount	300 000	27.05.2021	35 273	-	35 273
Exchange rate adjustment			202	-	(573)
Capitalized expenses			(494)	-	(559)
<b>Total KSH03</b>	<b>300 000</b>		<b>34 981</b>	<b>-</b>	<b>34 141</b>
<b>KSH01</b>					
Original loan amount	300 000	08.05.2018	52 250	52 250	52 250
Buy back	(100 000)		(17 417)	(17 417)	(17 417)
Buy back (Dec 2016)	(16 000)		(1 875)	-	(1 875)
Exchange rate adjustment			(11 859)	(11 218)	(11 676)
Repayment (Jan 2017)	(184 000)		(21 099)		
Capitalized expenses			-	(336)	-
	-		-	23 279	21 282
<b>KSH02</b>					
Original loan amount, fixed	300 000	20.03.2020	-	50 500	50 500
Original loan amount, floating	100 000	20.03.2020	-	16 828	16 828
Buy back	(10 000)		-	(1 355)	(1 355)
Exchange rate adjustment			-	(19 924)	(20 263)
Repayment (Dec 2016)	(390 000)		-		(45 710)
Capitalized expenses			-	(504)	-
	-		-	45 545	-
<b>Debt as of reporting period</b>	<b>300 000</b>		<b>34 981</b>	<b>68 824</b>	<b>55 423</b>

## Note 8 - Transactions with related parties

The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS.

The Group has undertaken several agreements and transactions with related parties in the RASTK Group. The level of fees are based on market terms and are in accordance with the arm's length principle.

Klaveness AS delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management and commercial management.

Klaveness Ship Management AS delivers ship management services for all of the vessels in the Group. Ship Management fees cover services like technical management, crewing management, IT and energy management. For the newbuildings in the Group, Klaveness Ship Management performs supervision and project management services.

USD'000				
Supplier	Type of agreement	30.06.2017	30.06.2016	2016
Klaveness AS (sister company)	Business administration fee	(193)	(458)	(496)
Klaveness AS (sister company)	Commercial management fee	(1 137)	(1 942)	(3 171)
Klaveness Ship Management AS (sister company)	IT fee	(81)	(108)	(151)
Klaveness Ship Management AS (sister company)	Ship Management fee	(2 242)	(2 274)	(4 568)

USD'000				
Receivables from related parties	30.06.2017	30.06.2016	2016	
Cabu Chartering AS (sister company)	4 992	7 430	6 456	
Klaveness Ship Management AS (sister company)	81	-	82	
Baumarine AS	-	-	275	
<b>Receivables from related parties</b>	<b>5 073</b>	<b>7 430</b>	<b>6 814</b>	

USD'000				
Current debt to related parties	30.06.2017	30.06.2016	2016	
Klaveness AS (sister company)	162	320	643	
Klaveness Ship Management AS (sister company)	406	427	473	
Cabu Chartering AS (sister company)	160	-	230	
Baumarine AS (sister company)	-	-	231	
<b>Current debt related parties</b>	<b>728</b>	<b>747</b>	<b>1 577</b>	



## Note 9 - Taxes

The Group mainly operates in the Norwegian tonnage tax regime which exempts ordinary tax on shipping income, instead a tonnage tax fee is payable based on the size of the vessel. The fee is recognized as an operating expense. Financial income is taxable according to the Norwegian tonnage tax regime based on the company tax rate in Norway of 24 %.

Tax expense for H1-2017 is estimated based on 24% of taxable/deductible items in the parent company (ordinary taxation) and currency adjustment of the deferred tax asset per 30 June 2017. If tax payable will occur in the parent company, this will be offset by group contribution. No tax payable or changes in tax positions are expected in the companies under tonnage taxation.

As of 30 June 2017, estimated net tax income amounts to zero. The increase of deferred tax assets per 30.06 due to estimated tax income in the period is written down as future utilization within the KSH Group has not been justified.

At 30 June 2017 the Group has recorded a deferred tax asset of USD 7.5 million (2016: USD 7.5 million). Deferred tax assets are only recognized if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. If the Group has loss carried forward in any subsidiaries, these deferred tax assets are not recognized if it is not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses can be utilized.

**Note 10 - Contingent liabilities**

Regular claims are made against the Group as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the Group. No new provisions are recognised in the first half of 2017.

**Note 11 - Events after the balance sheet date**

There are no events after the balance sheet date that have material effect on the financial statement as of 30 June 2017.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the consolidated financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and give a true and fair view of the company's assets, liabilities, financial position and profit. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the six months of the financial year and their impact on the consolidated financial statements of Klaveness Ship Holding AS, and a description of the principal risks and uncertainties for 2017.

Vækerø, 18 August 2017

Lasse Kristoffersen

Chairman of the Board

Liv Hege Dyrnes

Board member

Morten Skedsmo

Managing Director

Bent Martini

Board member