INTERIM FINANCIAL STATEMENTS 1H 2016

KLAVENESS SHIP HOLDING CONSOLIDATED

Torvald Klaveness

KEY FIGURES

USD '000	1H 2016 unaudited	1H 2015 unaudited	FULL YEAR 2015 audited
Key financials (incl discontinued operations)			
Gross operating revenues	56 479	60 170	124 098
EBITDA	35 578	30 827	62 667
Profit/(loss) before tax (incl. minority interests)	-21 778	5 767	-3 417
Profit/(loss) before tax (excl. minority interests)	-17 415	4 392	-4 069
Total assets	518 934	610 499	599 879
Equity ratio	46 %	48 %	47 %
NIBD/EBITDA	1.7	3.6	3.8
Cash and bank deposits	181 414	76 031	82 447

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 30.06.2016 comprises of KSH and its subsidiaries.

HIGHLIGHTS IN THE FIRST HALF OF 2016

Klaveness Ship Holding AS and subsidiaries (the Group) delivered a negative result from continued and discontinued operations of USD 21.8 million before tax (incl. minority interests) (1H15: positive USD 5.8 million) for the first half of 2016. The negative result was significantly influenced by impairments of the container vessels of USD 36.5 million and a kamsarmax vessel of USD 0.8 million. Net result adjusted for impairment was USD 15.6 million before tax (incl. discontinued operations) in 1H 2016. Despite the negative results, the Group maintained a high solidity and satisfying liquidity in the first half of 2016.

The five selfunloader vessels were delivered to new owners in January 2016. The transaction valued the five vessels at USD 190 million in total which resulted in a gain from sale of assets of USD 26.2 million recognized in 1H 2016. Outstanding loan amount of USD 46.2 million related to the selfunloader vessels was repaid in January 2016.

The Group achieved an EBITDA of USD 35.6 million in 1H 2016 (1H15: USD 30.8 million). EBITDA of USD 9.2 million is contributed by continued operations in the first half of 2016, down from USD 15.3 million in 1H 2015. The decrease can be explained by lower earnings in both the container and combi segments due to challenging container and dry-bulk markets, and a decrease in the tanker market.

The balance sheet remains solid with a book equity including minority interest of USD 239.9 million at end of June corresponding to an equity ratio of 46 percent. Reduction in NIBD/EBITDA is due to gain from sale of the selfunloader vessels.

The Kamsarmax vessel, MV Bavang, was delivered on 23 February 2016. The vessel is employed in the spot pool Baumarine AS (sister company). In line with the Group's strategy to focus on building a global combi business a decision to sell MV Bavang has been reached (note 11). The work of finding a buyer started after the balance sheet date. An impairment of USD 0.8 million has been recognized in the P&L in 1H 2016. At 30 June 2016 the book value of the vessel is USD 19.0 million.

The market for the Group's combination carriers remained satisfactory in the first half of 2016, however somewhat weaker than the first half of 2015 due to a weaker tanker market and continued weak dry bulk markets. The container market still struggles with supply and demand imbalances which put charter rates and vessel values under pressure. The earnings for the container vessels continued to be affected by a weak timecharter market and an increase in idle days.

NEWBUILDING PROGRAM

As of 30 June 2016 the Group has a newbuilding programme consisting of six combination carriers. The first three combination carriers are built at Zhejiang OuHua Shipbuilding Co. Ltd in China with delivery in second half of 2016 and first quarter of 2017. In December 2015 The Group ordered another three combination carriers from Jiangsu New Yangzi Shipbuilding Co. Ltd. in China. These three vessels are scheduled for delivery in the second half of 2018 and first quarter of 2019.

GENERAL INFORMATION

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 2015.

NET RESULT AND FINANCIAL POSITION AT 30 JUNE 2016

Operating revenue from continuing operations for the first half of 2016 was USD 29.3 million, somewhat lower than the first half of 2015 (USD 36.4 million) due to lower earnings from both combination carriers and container vessels. Operating costs for the first half of 2016 amounted to USD 18.2 million (1H15: USD 17.7 million).

EBITDA from continuing operations was USD 9.2 million in 1H 2016 (1H 2015: USD 15.3 million).

An increase in depreciations from USD 10.0 million in 1H 2015 to USD 10.6 million in 1H 2016 is due to delivery of the kamsarmax MV Bavang and update of scrap value of all vessels.

Due to continuing weak container market and timecharter rates under pressure, an impairment of USD 36.6 million has been recognised for the container vessels in 1H 2016 and the book values are now in line with average broker values. Based on the decision to sell the kamsarmax vessel MV Bavang, the vessel has been impaired to broker value as per 30 June, which resulted in an impairment of USD 0.8 million. Total impairments in 1H 2016 amounts USD 37.3 million.

Net financial items were negative by USD 9.3 million (1H15: negative USD 6.0 million) mainly consisting of interest expenses related to mortgage debt (USD 5.7 million) and change in fair value of interest rate swap agreements recognised in P&L (USD 3.4 million). Net profit after tax including discontinued operations was negative by USD 21.0 million (1H15: USD 12.8 million), whereof negative USD 4.4 million (1H15: 1.4 million) was minority interests related to external investors in some of the combination and container companies.

Total assets decreased by USD 80.9 million in the first half of 2016 from USD 599.9 million to USD 518.9 million. Fixed assets decreased by net USD 11.0 million due to depreciation and impairments of in total USD 48.0 million and investments in vessels and newbuildings of USD 36.5 million.

Cash and bank deposits were USD 181.4 million by the end of June 2016, up from USD 82.4 million at year end 2015. The increase is mainly explained by proceeds of USD 190 million from sale the of selfunloader vessels, net repayment of debt of USD 40.7 million, investment activities in fixed assets of USD 36.5 million and paid dividend and group contribution of USD 19.0 million.

The cash flow from operating activities was USD 10.6 million in the first half of 2016, while cash flow from investing activities was positive by USD 153.5 million. The latter consists mainly of investments in newbuildings and drydockings and proceeds from sale of vessels. The cash flow from financing activities was negative by USD 65.3 million and consists of payback of existing loans and the financing of the disposed selfunloader vessels.

Total equity decreased by USD 39.9 million in the first half of 2016 due to negative results of USD 20.9 million and payments of group contribution and dividends of in total USD 19.0 million. The book equity ratio was by the end of June 46 % and in line with year-end 2015.

Interest-bearing debt decreased by approx. USD 40 million during the first half of 2016 and amounted to USD 265.3 million at the end of June 2016.

BUSINESS SEGMENTS

By the end of June 2016 the fleet consisted of six combination carriers, eight container vessels, one kamsarmax and in total six combination carriers under construction.

Combination carriers: The combination carriers transport dry cargo and caustic soda between the Far East, the Middle East, Australia, Brazil and North America. Earnings decreased somewhat in the first half of 2016 compared to 2015, due to continued low dry bulk market and a decrease in the tanker market. Cargo volumes under the long term cargo contracts with the alumina industry were stable.

Container: The container market continued to be dismal with low rates, high idle fleet, and falling broker values, resulting in further fleet impairments. The market outlook is still uncertain and the liner operators are still committed mostly to short timecharters. All eight container vessels are employed on contracts.

Dry bulk investments:
The Kamsarmax vessel, MV Bavang, was delivered on 23 February 2016. The vessel is employed in spot co-sailing pool operated by Baumarine AS (sister company).

MAIN RISKS

The Group's business is exposed to risks in many areas. The Board places high attention on 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 risk. These risks are monitored and managed.

Ownership of vessels involves risks related to vessel values, future vessel employment, revenues and costs. These risks are partly managed through time charter contracts and contracts of affreightment covering a large part of the vessels capacity.

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 hedged with cross currency interest rate swaps, reducing the currency and interest exposure. The mark-to-market of the currency and interest instruments was negative in 2016 due to a weakening NOK versus USD and a continued low LIBOR.

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 complete 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.

Quarterly risk reviews ensure that risk-mitigating actions are executed and that new risks are identified, analyzed and managed. The organization is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

At the end of June 2016, the company had six newbuildings on order. Risk of delays and failure of the yards to deliver exists. Klaveness has dedicated on-site personnel who supervise the building processes, and the orders are split between two yards. Tier one Chinese banks provide refund guarantees.

EVENTS AFTER THE BALANCE SHEET DATE

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.

In line with the Group's strategy to focus on building a global combi business a decision to sell the Kamsarmax vessel MV Bavang has been reached. The work of finding a buyer started after the balance sheet date. At 30 June 2016 book value of the vessel is USD 19.0 million.

There have been no other major transactions or events subsequent to the closing date that would have a material impact on the evaluation of the financial position at 30 June 2016 of Klaveness Ship Holding AS.

Klaveness Ship Holding AS

Consolidated Income Statement

USD '000	Note	Unaudited 1H 2016	Unaudited 1H 2015	Year ended 31 December Audited 2015
Continuing operations				
Operating revenue, vessels	Note 2	29 273	36 390	76 598
Total operating revenue		**29 273**	**36 390**	**76 598**
Operating expenses, vessels		(18 206)	(17 711)	(38 661)
Loss from sale of assets		-	(186)	(186)
Group administrative services	Note 8	(2 246)	(2 315)	(5 021)
Tonnage tax	Note 9	(73)	(61)	(122)
Other operating and administrative expenses		460	(790)	(371)
EBITDA		**9 209**	**15 328**	**32 235**
Ordinary depreciation	Note 4	(10 634)	(9 954)	(19 850)
Impairment loss (-) / reversal	Note 4, 5	(37 344)	(0)	(25 505)
EBIT		**(38 770)**	**5 374**	**(13 120)**
Finance income		217	1 152	2 573
Finance costs		(9 522)	(7 143)	(14 522)
Profit before tax from continuing operations		**(48 075)**	**(617)**	**(25 069)**
Income tax expenses	Note 9	784	6 995	4 168
Profit after tax from continuing operations		**(47 291)**	**6 378**	**(20 901)**
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	Note 3	26 297	6 384	21 652
Profit for the year		**(20 994)**	**12 762**	**751**
Attributable to:				
Equity holders of the parent company		(16 630)	11 386	99
Non-controlling interests		(4 363)	1 375	651
Total		**(20 994)**	**12 762**	**751**

Klaveness Ship Holding AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	Unaudited 1H 2016	Unaudited 1H 2015	Audited 2015
Profit/ (loss) of the period		**(20 994)**	**12 762**	**751**
Other comprehensive income to be reclassified to profit or loss				
Net movement fair value on interest rate swaps		(326)	(173)	(113)
Net movement fair value on cross-currency interest rate swap		2 609	(4 514)	(12 144)
Reclassification to profit and loss		(2 210)	3 844	10 468
Income tax effect		(18)	228	447
Net other comprehensive income to be reclassified to profit or loss		**55**	**(615)**	**(1 341)**
Other comprehensive income not to be reclassified to profit or loss		-	-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-	-
Other comprehensive income/(loss) for the period, net of tax		**55**	**(615)**	**(1 341)**
Total comprehensive income/(loss) for the period, net of tax		**(20 939)**	**12 147**	**(591)**
Attributable to:				
Equity holders of the parent company		(16 575)	10 772	(1 242)
Non-controlling interests		(4 363)	1 375	651
Total		**(20 939)**	**12 147**	**(591)**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 30 June		As at 31 December
USD '000	Note	Unaudited 1H 2016	Unaudited 1H 2015	2015
ASSETS				
Non-current assets				
Deferred tax asset	Note 9	7 930	8 845	7 620
Vessels	Note 4	248 492	463 198	274 748
Newbuilding contracts	Note 5	61 118	34 770	45 886
Other long-term receivables		-	1 760	-
Total non-current assets		**317 539**	**508 573**	**328 253**
Current assets				
Inventories		1 300	2 283	1 887
Accounts receivable		496	29	782
Receivables from related parties		7 430	4 357	5 938
Prepaid expenses		1 782	1 536	1 478
Other short-term receivables		8 972	17 691	15 365
Cash and cash equivalents		181 414	76 031	82 447
Total current assets		**201 394**	**101 926**	**107 896**
Assets held for sale	Note 3	**-**	-	163 730
TOTAL ASSETS		**518 934**	**610 499**	**599 879**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

USD '000	Note	As at 30 June Unaudited 1H 2016	Unaudited 1H 2015	As at 31 December Audited 2015
EQUITY AND LIABILITIES				
Equity				
Share capital		1 817	1 817	1 817
Share premium		6 568	16 861	16 861
Other paid-in capital		-	5 585	5 585
Other reserves		(3 836)	(3 165)	(3 891)
Retained earnings		223 345	251 262	239 975
Equity attributable to equity holders of the parent		**227 894**	**272 360**	**260 347**
Non-controlling interests		12 021	21 369	19 491
Total equity		**239 915**	**293 729**	**279 838**
Non-current liabilities				
Mortgage debt	Note 6	137 411	185 735	132 524
Bond loans	Note 7	68 824	73 746	66 073
Financial liabilities		36 870	26 847	35 756
Total non-current liabilities		**243 105**	**286 328**	**234 353**
Current liabilities				
Short-term mortgage debt	Note 6	27 532	17 504	26 652
Accounts payable		1 457	260	1 810
Current debt to related parties		747	885	874
Tax payable	Note 9	1 230	491	1 459
Tonnage tax payable		253	244	181
Other current liabilities		4 693	11 057	8 440
Total current liabilities		**35 913**	**30 441**	**39 416**
Liabilities directely associated with the assets held for sale	Note 3	-	-	46 271
TOTAL EQUITY AND LIABILITIES		**518 934**	**610 499**	**599 879**

Oslo, 30 June 2016

Oslo, 19 August 2016

Lasse Kristoffersen
Chairman of the Board

Bent Martini
Board member

Rebekka Glasser Herlofsen
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
Equity at 31 December 2014	**1 817**	**16 861**	**5 585**	**(2 550)**	**243 621**	**265 334**	**21 592**	**286 926**
Profit (loss) for the period					11 386	11 386	1 375	12 761
Other comprehensive income for the year				(615)		(615)		(615)
Total comprehensive income for the year				**(615)**	**11 386**	**10 771**	**1 375**	**12 146**
Payments to non-controlling interests						-	(1 598)	(1 598)
Group contribution with tax effect					(2 173)	(2 173)	-	(2 173)
Group contribution without tax effect					(1 572)	(1 572)	-	(1 572)
Equity at 30 June 2015	**1 817**	**16 861**	**5 585**	**(3 165)**	**251 262**	**272 360**	**21 369**	**293 729**
Profit (loss) for the period					(11 287)	(11 287)	(724)	(12 011)
Other comprehensive income for the year				(726)		(726)		(726)
Total comprehensive income for the year				(726)	(11 287)	(12 013)	(724)	**(12 737)**
Payments to non-controlling interests					-	-	(1 154)	(1 154)
Group contribution with tax effect					-	-	-	-
Group contribution without tax effect					-	-	-	-
Equity at 31 December 2015	**1 817**	**16 861**	**5 585**	**(3 891)**	**239 975**	**260 347**	**19 491**	**279 838**
Profit (loss) for the period					(16 630)	**(16 630)**	(4 363)	**(20 994)**
Other comprehensive income for the year				55		**55**		**55**
Total comprehensive income for the year				**55**	**(16 630)**	**(16 575)**	**(4 363)**	**(20 939)**
Payments to non-controlling interests						-	(3 107)	**(3 107)**
Group contribution		(10 293)	(5 585)			**(15 878)**	-	**(15 878)**
Equity at 30 June 2016	**1 817**	**6 568**	**(0)**	**(3 836)**	**223 345**	**227 893**	**12 021**	**239 915**

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 2016	Unaudited 1H 2015	2015
Profit before tax from continuing operations		(48 075)	(617)	(25 069)
Profit before tax from discontinuing operations*		26 297	6 384	21 652
Profit before tax		(21 778)	5 767	(3 417)
Tonnage tax expensed		73	-	173
Net gain/loss fixed assets	Note 3	(26 297)	186	2 956
Ordinary depreciation	Note 4	10 634	16 189	30 383
Impairment loss/ reversal	Note 4	37 344	2 280	22 552
Amortization of upfront fees bank loans		411		877
Financial derivatives unrealised loss / gain (-)		3 397		1 226
Gain /loss on foreign exchange		279		(1 884)
Interest income		(496)	(171)	(313)
Interest expenses		5 682	6 151	12 302
Taxes paid for the period		(409)	(475)	(1 295)
Change in receivables		5 186	1 151	2 902
Change in current liabilities		(4 227)	2 200	1 303
Change in other working capital		283	(1 491)	(614)
Interest received		496	171	313
A: Net cash flow from operating activities		**10 579**	**31 958**	**67 464**
Acquisition of tangible assets	Note 4	(1 579)	(4 195)	(5 972)
Installments and cost on newbuilding contracts	Note 5	(34 967)	(7 045)	(28 197)
Payment receieved disposal of vessels	Note 3	190 000	-	-
B: Net cash flow from investment activities		**153 455**	**(11 240)**	**(34 169)**
Proceeds from mortgage debt		12 838	59 679	69 622
Transaction costs on issuance of loans		-	(408)	(1 380)
Repayment of mortgage debt		(53 507)	(72 790)	(80 346)
Interest paid		(5 682)	(6 151)	(12 302)
Group contribution		(15 878)	(5 047)	(4 794)
Dividends to non-controlling interests		(3 107)	(1 598)	(2 752)
C: Net cash flow from financing activities		**(65 337)**	**(26 315)**	**(31 952)**
Net change in liquidity in the period (A + B + C)		98 697	(5 597)	1 343
Net foreign exchange difference		270	(62)	(586)
		98 967	**(5 659)**	**757**
Cash and cash equivalents at beginning of period		82 447	81 690	81 690
Cash and cash equivalents at end of period		181 414	76 031	82 447
Net change in cash and cash equivalents in the period		**98 967**	**(5 659)**	**757**
Undrawn facilities**	Note 6	73 000	156 501	146 277

* Net cash flow from operating/investment/financing activities includes discontinued operation.

** 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 2016 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 are based on the same accounting principles as the consolidated financial statements of the Group for the year ended 31 December 2015.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparing financial statements in conformity with IFRS requires the management to make judgments, use of estimates and assumptions which affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses.

The estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Group's and parent company's control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Changes in accounting estimates are recognized in the period the changes occur. When changes to estimates also affect future periods the effect is distributed between of the current and future periods.

Significant estimates and assumptions

Management has made estimates and assumptions which have significant effect on the amounts recognized in the financial statements. In general, accounting estimates are considered significant if:

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on Klaveness Ship Holding's financial position

Carrying amount of vessels, residual value, depreciation and impairment

In addition to the purchase price, the carrying amount of vessels is based on management's assumptions of useful life. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices.

When value in use calculations are performed, management estimates the expected future cash flows from the assets or cash-generating unit (defined in the section of "judgments") and determines a suitable discount rate in order to calculate the present value of those cash flows. This will be based on management's evaluations, including estimating future performance, revenue generating capacity, and assumptions of future market conditions and appropriate discount rates. Changes in circumstances and management's evaluation and assumptions may give rise to impairment losses. While management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the evaluations.

On a quarterly basis, management assesses indicators of impairment for non-financial assets and whether the assumptions in the value in use calculations are reasonable. Recoverable amount is set as the highest of broker values and value in use. If carrying value exceeds the estimated recoverable amount, impairment is recognized. Impairments are reversed in a later period if the recoverable amount exceeds the carrying amount.

Onerous contracts

At each reporting date, management assesses if there are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. A provision is recorded by estimating the present obligation under the contract.

The recognition of deferred tax assets

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 is not recognized if it's not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses can be utilized.

Judgments

In the process of applying Klaveness Ship Holding's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements.

Impairment

The Group has defined the fleet of combination carriers (Cabu) as one cash generating unit (" CGU"), due to the Group's operational strategy to manage the fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings for the entire Group. The Cabu vessels are sister vessels. For container vessels the Group has defined that each vessel is a separate CGU as the cash flows from these vessels can be separated on an individual level.

Consolidation of Banasol Inc and Banastar Inc

The Group owns 50 % of Banasol Inc and 50 % of Banastar Inc. The remaining shares are owned by one shareholder, Veronica Co Ltd. The entities own one vessel each; MV Banasol and MV Banastar. Management has assessed the investments against control criterias in IFRS 10 whether the Group has rights to direct the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity. The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc and Banastar Inc which have been consolidated as subsidiaries into the Group's financial statements.

Sale of selfunloader vessels

A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. The Management has considered whether the transaction has one or three different buyers. As the sale was fronted by one nominee, the three buyers are related parties and the fact that prerequisite for a sale was all five vessels or none, the management concluded on one buyer. Based on this, the sale has been treated as sale of group of assets disposed together, ref reversal of prior year impairment.

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
- Dry bulk investments
- Other/administration
- 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 six cabu vessels which participate in a pool operated by Cabu Chartering AS (related party). The Group has three cabu newbuildings under construction scheduled for delivery in 2016 and 2017, and three other 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.

The Group has invested in two 82,000 dwt standard dry bulk newbuilding contracts. The first vessel, MV Bavang, was delivered from the yard in February 2016. The second newbuilding contract was cancelled in 2015. MV Bavang participates in the Baumarine pool.

SUL vessels are specialized bulk carriers equipped with a conveyor belt for discharging the cargo. The Group's five SUL vessels where sold 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 2016

(USD'000)	Combination carriers	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	19 747	8 935	591	(0)	29 273
Total operating revenue	**19 747**	**8 935**	**591**	**(0)**	**29 273**
Operating expenses, vessels	(7 880)	(8 867)	(1 265)	(194)	(18 206)
Group administrative services	(902)	(1 123)	(221)	-	(2 248)
Tonnage tax	(31)	(42)	-	-	(73)
Ordinary depreciation	(6 070)	(4 171)	(394)	-	(10 634)
Impairment	-	(36 593)	(751)	-	(37 344)
Other operating and adm expenses	(21)	(21)		500	460
Total operating expenses	**(14 904)**	**(50 817)**	**(2 632)**	**306**	**(68 045)**
Operating profit/EBIT	**4 843**	**(41 882)**	**(2 040)**	**306**	**(38 770)**

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
ASSETS					
Vessels	86 759	142 733	19 000		248 492
Newbuilding contracts	61 119	-	-	-	61 119
Other non-current assets	-	-	-	7 930	7 930
Total non-current assets	147 879	142 733	19 000	7 930	317 540
Cash	149 508	870	5 033	26 003	181 414
Current assets	13 896	5 573	-	511	19 980
Total current assets	163 404	6 443	5 033	26 514	201 394
TOTAL ASSETS	**311 283**	**149 176**	**24 033**	**34 444**	**518 935**
EQUITY AND LIABILITIES	242 351	52 009	11 016	(65 460)	239 916
Total equity	242 351	52 009	11 016	(65 460)	239 916
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
Total non-current liabilities	47 448	83 773	11 981	99 903	243 105
Short-term interest bearing debt	17 173	9 504	855	-	27 532
Other current liabilities	4 311	3 888	181		8 380
Total current liabilities	21 484	13 392	1 036	-	35 913
TOTAL EQUITY AND LIABILITIES	**311 283**	**149 176**	**24 033**	**34 444**	**518 935**
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 - 30 June 2015*

(USD'000)	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	24 142	23 791	12 256	-	-	60 189
Gain from sale fixed assets	-	-	-	-	-	0
Other operating revenue	(2)	(11)	(6)	-	-	(19)
Total operating revenue	**24 140**	**23 780**	**12 250**	**-**	**-**	**60 170**
Operating expenses, vessels	(7 360)	(7 890)	(10 325)	(24)	-	(25 599)
Loss from sale fixed assets	-	-	-	(186)	-	(186)
Group administrative services	(787)	(395)	(1 176)	(269)	(478)	(3 105)
Tonnage tax	(29)	29	(32)	-	-	(32)
Ordinary depreciation	(5 501)	(6 235)	(4 452)	-	-	(16 188)
Impairment	-	(2 280)	-	-	-	(2 280)
Other operating and adm expenses	(105)	(26)	4	(19)	(274)	(420)
Total operating expenses	**(13 782)**	**(16 797)**	**(15 981)**	**(498)**	**(752)**	**(47 811)**
Operating profit/EBIT	**10 358**	**6 983**	**(3 731)**	**(498)**	**(752)**	**12 359**

*Discontinued operations - see note 3.

Note 2 - Segment reporting (cont.)

Balance sheet by segments 30 June 2015

(USD '000)	Combination carriers	Selfunloader vessels	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
ASSETS						
Vessels	95 101	162 654	205 444	-	-	463 198
Newbuilding contracts	26 257	-	-	8 513	-	34 770
Other non-current assets	1 302	273	185	-	8 845	10 605
Total non-current assets	122 660	162 927	205 629	8 513	8 845	508 573
Cash	26 291	8 416	2 211	1 211	37 902	76 031
Current assets	8 193	6 777	6 231	2 367	2 327	25 895
Total current assets	34 484	15 193	8 442	3 578	40 229	101 926
TOTAL ASSETS	**157 144**	**178 120**	**214 071**	**12 091**	**49 074**	**610 499**
EQUITY AND LIABILITIES						
Total equity	97 650	128 866	110 022	11 643	(54 452)	293 729
Interest bearing debt	46 949	46 076	92 710	-	-	185 735
Bond loans	-	-	-	-	73 746	73 746
Other non-current financial liabilities	-	-	-	-	26 847	26 847
Total non-current liabilities	46 949	46 076	92 710	-	100 593	286 328
Short-term interest bearing debt	8 000	-	9 504	-	-	17 504
Other current liabilities	4 544	3 178	2 208	448	2 559	12 937
Total current liabilities	12 544	3 178	11 712	448	2 559	30 441
TOTAL EQUITY AND LIABILITIES	**157 144**	**178 120**	**214 444**	**12 091**	**48 700**	**610 499**
Capital expenditure Vessels	(2 044)	(2 141)	(10)	-	-	(4 195)
Capital expenditure newbuildings	(3 606)	-	-	(2 670)	-	(6 276)
Cash from operation	13 815	13 356	711	(498)	(752)	26 632

Income statement by segments 1 January- 31 December 2015*

(USD'000)	Combination carriers	Container vessels	Dry bulk investments	Other/ admin	Total consolidated
Operating revenue, vessels	50 991	25 616	-	-	76 607
Other operating revenue	(2)	(7)	-	-	(9)
Total operating revenue	**50 989**	**25 609**	**-**	**-**	**76 598**
Operating expenses, vessels	(14 905)	(20 889)	(2 866)	-	(38 661)
Loss from sale	-	-	(186)	-	(186)
Ordinary depreciation	(10 773)	(9 077)	-	-	(19 850)
Impairment	-	(17 511)	(7 994)	-	(25 505)
Tonnage tax	(62)	(62)	-	-	(124)
Other operating and adm expenses	(2 202)	(2 376)	(402)	(411)	(5 391)
Total operating expenses	**(27 942)**	**(49 915)**	**(11 448)**	**(411)**	**(89 717)**
Operating profit/EBIT	**23 047**	**(24 306)**	**(11 448)**	**(411)**	**(13 120)**

*Discontinued operations - see note 3.

Note 2 - Segment reporting (cont.)

Balance sheet by segments 1 January - 30 December 2015

(USD '000)	Combination carriers	Container vessels	Dry bulk investments	Other*/ admin	Total consolidated
ASSETS					
Vessels	91 229	183 518	-		274 748
Newbuilding contracts	45 526	-	360	-	45 886
Other non-current assets		-		7 620	7 620
Total non-current assets	136 756	183 518	360	7 620	328 253
Cash	64 769	1 902	42	15 733	82 447
Current assets	11 748	6 202	2 307	5 192	25 448
Total current assets	76 517	8 104	2 349	20 925	107 896
Assets held for sale (note 3)	-	-	-	163 730	163 730
TOTAL ASSETS	**213 273**	**191 622**	**2 709**	**192 275**	**599 879**
EQUITY AND LIABILITIES					
Total equity	143 867	89 559	2 530	43 884	279 838
Interest bearing debt	44 546	87 978	-	-	132 524
Bond loans	-	-	-	66 073	66 073
Other non-current financial liabilities	1 968	-	-	33 788	35 756
Total non-current liabilities	46 514	87 978	-	99 861	234 353
Short-term interest bearing debt	17 148	9 504	-	-	26 652
Other current liabilities	5 743	4 582	179	2 260	12 765
Total current liabilities	22 891	14 086	179	2 260	39 416
Liabilities directly associated with assets held for sale (note 3)	-	-	-	46 271	46 271
TOTAL EQUITY AND LIABILITIES	**213 273**	**191 622**	**2 709**	**192 275**	**599 879**

* Includes assets and liabilities related to assets held for sale/discontinued operations.

Capital expenditure Vessels	(3 601)	-	-	-	(3 601)
Capital expenditure newbuildings	(23 383)	-	(5 542)	-	(28 925)
Cash from operation	30 219	2 282	(3 454)	(411)	28 635

Note 3 - Discontinued operations

In Q4 2015 the Group reached an agreement to sell its five selfunloading bulk carriers. The selfunloader vessels were classified as discontinued operation at year end 2015 (see note 3 in consolidated financial statement 2015).

The selfunloader vessels were delivered to new owners in January 2016. The transaction valued the five vessels at USD 190 million in total which resulted in a gain of USD 26.2 million recognised in 1H 2016.

The results of selfunloader vessels for the period are presented below:

USD '000	1H 2016	1H 2015	2015
Operating revenue, vessels	966	23 780	47 500
Gain from sale of fixed assets	26 240	-	-
Total operating revenue	**27 206**	**23 780**	**47 500**
Operating expenses, vessels	(603)	(7 889)	(16 195)
Ordinary depreciation	-	(6 235)	(10 533)
Impairment reversal	-	(2 280)	2 953
Tonnage tax	-	29	(51)
Group administrative services	(154)	(791)	(791)
Other operating and adm expenses	(80)	371	(32)
Operating profit/EBIT	**26 369**	**6 984**	**22 852**
Finance income	-	-	-
Finance costs	(72)	(600)	(1 200)
Profit/(loss) before tax	**26 297**	**6 384**	**21 652**
Income tax expenses	-	-	-
Profit/(loss) after tax from discontinued operations	**26 297**	**6 384**	**21 652**

The major classes of assets and liabilities of discontinued operation are, as follows:

USD '000	1H 2016	2015
Assets		
Assets held for sale	-	163 730
Liabilites		
Liabilities directly associated with assets held for sale	-	46 271

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

USD '000	1H 2016	2015
Net cash flow from operating activities	-	25 589
Net cash flow from investment activities	190 000	(66 009)
Net cash flow from financing activities	(46 271)	46 067
Net cash flow from discontinued operations	**143 729**	**5 647**

Note 4 - Vessels

30.06.2016	Kamsarmax	Combination carriers	Container	Total vessels
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
Costprice 30.06	**28 140**	**211 828**	**254 296**	**494 264**
Acc. Depreciation 1.1	-	118 999	19 161	138 161
Depreciation for the year	394	6 070	4 171	10 634
Acc. depreciation 30.06	**394**	**125 069**	**23 332**	**148 795**
Acc. impairment losses 1.1	-	-	51 637	51 637
Impairment for the year	751	-	36 593	37 344
Impairment reclassed from newbuildings	7 994	-	-	7 994
Acc. impairment losses 30.06	**8 745**	**-**	**88 231**	**96 976**
Carrying amounts 30.06.2016*	**19 000**	**86 759**	**142 733**	**248 492**
*) 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	

30.06.2015	Selfun-loaders	Combination carriers	Container	Total vessels
Cost price 1.1	242 748	206 666	254 318	703 732
Additions (mainly upgrading and docking of vessels)	2 141	2 044	10	4 195
Disposals	(20)	(40)	(63)	(123)
Costprice 30.06	**244 869**	**208 670**	**254 265**	**707 804**
Acc. Depreciation 1.1	70 120	108 068	10 243	188 431
Depreciation for the year	6 235	5 501	4 452	16 188
Acc. depreciation 30.06	**76 355**	**113 569**	**14 695**	**204 619**
Acc. impairment losses 1.1	3 660	-	34 126	37 786
Impairment for the year	2 200	-	-	2 200
Acc. impairment losses 30.06	**5 860**	**-**	**34 126**	**39 986**
Carrying amounts 30.06.2015*	**162 654**	**95 101**	**205 444**	**463 198**
*) carrying value of vessels includes dry-docking				
No. of vessels	5	6	8	19
Useful life	20	20	25	
Depreciation schedule	Straight-line	Straight-line	Straight-line	

Note 4 - Vessels (cont.)

2015

Vessels	Combination carriers	Container	Total vessels
Cost price 1.1	206 666	254 279	460 945
Additions (mainly upgrading and docking of vessels)	3 601	-	3 601
Costprice 31.12	**210 267**	**254 279**	**464 546**
Acc. Depreciation 1.1	108 068	10 243	118 311
Depreciation for the year	10 931	8 918	19 850
Acc. depreciation losses 31.12	**118 999**	**19 161**	**138 161**
Acc. impairment losses 1.1	-	34 126	34 126
Impairment for the year	-	17 511	17 511
Acc. impairment losses 31.12	**-**	**51 637**	**51 637**
Carrying amounts 31.12.2015*	**91 268**	**183 480**	**274 748**

*) carrying value of vessels includes dry-docking

No. of vessels	6	8	14
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 kamsarmax newbuilding, Bavang, was delivered 23 February 2016 from New Yangzi Shipbuilding Co Ltd.

Disposals of vessels
Selfunloader vessels was presented as discontinued operation at year end 2015. The vessels were delivered to their new owners in January 2016 - see note 3 for furter information.

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 net present value of future cash flows is based on a pre-tax weighted average cost of capital (WACC) of 8.5 % in 2016 (2015: 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 2020 and onwards, the cash flows are based on a zero-growth scenario, however an escalating factor of an in average 2.0 % inflation rate has been included for all operating expenses for all years until scrapping/sale.

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 weighing 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 scenarioes. The management is of the opinion that weighting of three different scenarioes 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 for all eight vessels are in line with broker values; no significant differences. All vessels are impaired to broker value, which is considered to be the best estimate of fair value less cost to sell. As a result of the weak container market, a total impairment of the container vessels of USD 36.5 million have been recognised at 30 June 2016. Book value of container vessels amounts USD 142.8 million at 30 June 2016.

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 2016 (2015: 0).

A negative shift in the estimated TC rate from rest of 2016 and onwards of USD 1 000 per day, all other factors held constant would not result in any impairment loss. A negative shift in the estimated TC rate from rest of 2016 and onwards of USD 2 000, all other factors held constant, would not result in any impairment loss. A 1.0 per cent point increase in the estimated cost of capital, from 8.5 % to 9.5 % would not result in any impairment loss.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**1H 2016**	**1H 2015**	**2015**
Impairment of vessels	(37 344)	(2 200)	(17 511)
Impairment of newbuildings (note 10)	-	-	(7 994)
Total impairment loss (-) / reversal	**(37 344)**	**(2 200)**	**(25 505)**

Note 5 - Newbuildings

In December 2015, the Group entered into a contract with Jiangsu New Yangzi Shipbuilding Co., Ltd in China for an order of three 83,500 DWT combination carriers. The vessels will be delivered during the second half of 2018. The contract includes options for further vessels.

The Group already has three 80,500 DWT combination carriers under construction at Zhejiang OuHua Shipbuilding Co. Ltd. in China which will be delivered in the second half of 2016 and early 2017.

The Kamsarmax vessel MV Bavang was delivered on 23 February 2016. The second of the 82,000 DWT Kamsarmax vessels under construction was cancelled in 2015. Installments related to the cancelled kamsarmax was expensed through P&L in 2015 (USD 2.8 million).

There has not been identified any need of impairment for the newbuildings as per 30 June 2016. At year end 2015, declining dry bulk rates and value in use calculations for the kamsarmax newbuilding indicated a need for impairment. An impairment of USD 8.0 million was recognized in the financial statements for 2015, based on fair value less cost to sell, estimated by use of broker estimates.

30.06.2016

Investments in newbuildings	Combination carriers	Kamsarmax	Total
Cost 1.1	45 328	557	45 885
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	-	(28 140)	(28 140)
Impairment reclassed to vessels	-	7 994	7 994
Net carrying amount at 30.06.2016	**61 118**	**-**	**61 118**

30.06.2015

Investments in newbuildings	Combination carriers	Kamsarmax	Total
Cost 1.1	21 946	5 779	27 725
Borrowing cost*	346	113	459
Yard installments paid	3 606	2 670	6 276
Other capitalized cost	360	(50)	310
Net carrying amount at 30.06.2015	**26 258**	**8 512**	**34 770**

2015

Investments in newbuildings	Combination carriers	Kamsarmax	Total
Cost 1.1	21 946	5 779	27 725
Borrowing cost*	600	106	706
Yard installments paid	21 462	5 340	26 802
Other capitalized cost	1 320	96	1 416
Impairment loss (-)/reversal	-	(7 994)	(7 994)
Cansellation of newbuilding contracts	-	(2 770)	(2 770)
Net carrying amount at 31.12.2015	**45 328**	**557**	**45 886**

* Borrowing costs are capitalised to the extent that they are directely 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 2016, 30 June 2015 and full year ended 31 December 2015. 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 2016, the Group had a total of USD 265.3 million in interest bearing debt (incl capitalized fees, interest hedge and currency hedge) of which USD 248.4 million was classified as non-current debt and USD 16.9 million was classified as current debt. An overview of the loan facilities in the Group is presented below. Mortgage debt are subject to an interest rate of 3M LIBOR plus a margin of in range 2-3.25.

The revolving credit facility (RCF) of USD 75 million secured by the selfunloader vessels was repaid in January 2016.

Financing related to the three combination carriers with delivery in 2016/2017 was secured in 2015, while financing for the newbuildings with delivery in 2018/2019 was signed in July 2016, see note 11.

Loan facilities related to financing of the container vessels will be refinanced in Q3-2016. Maturity profile for loan facilities that are refinanced during the second half of 2016 are included in line with original loan agreement.

Mortgage debt	Description	Maturity	Carrying amount	Fair value
Barry/Baro/Bardu/Banak	DnB/USD 54.6 mill	March 2019	43 279	43 300
Balao/Ballenita	SEB/USD 30.158 mill	June 2018	23 094	23 100
Balsa/Baleares	DnB/Danske Bank/USD 35 mill	Sept 2018	26 448	26 451
Term Loan Facility	Nordea/Danske Bank, USD 140 mill.	April 2022	34 210	34 369
Banasol	SEB, USD 12 mill.	April 2018	6 946	7 000
Banastar	SEB, USD 12 mill.	April 2018	6 946	7 000
Bantry	Danske Bank, USD 18.9 mill.	March 2017	12 176	12 206
Bakkedal	Nordea, USD 16 mill.	Sept 2021	11 844	11 958
Mortgage debt 30 June 2016			**164 943**	**165 384**

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 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
Total interest bearing debt	**237 740**	**27 532**	**265 272**

30 June 2015 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	186 647	17 504	204 151
Transaction costs mortgage debt	(912)	-	(912)
Bond loan	74 873	-	74 873
Transaction costs bond loan	(1 127)	-	(1 127)
Cross currency interest rate swap (CCIRS)	26 847	-	26 847
Interest rate swaps (IRS) (for hedging purposes)	159	-	159
Total interest bearing debt	**286 487**	**17 504**	**303 991**

2015 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	133 130	26 652	159 782
Transaction costs mortgage debt	(606)	-	(606)
Liabilities directely associated with the assets	-	46 271	46 271
Bond loan	67 056	-	67 056
Transaction costs bond loan	(983)	-	(983)
Cross currency interest rate swap (CCIRS)	33 688	-	33 688
Interest rate swaps (IRS) (for hedging purposes)	100	-	100
Total interest bearing debt	**232 385**	**72 923**	**305 308**

The fair value of financial instruments (CCIRS and IRS) are determined by using valuation techniques (financial hierarchy level 2).

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

The Group has undrawn committed bank facilities available at 30 June 2016, as follows:

30 June 2016	Credit NOK mill	USD mill	Drawn up NOK mill	USD mill	Available NOK mill	USD mill
Term loan Facility*		84		11		73
Bond loan KSH01**	500		300		300	
Buy back KSH01			(100)			
Bond loan KSH02**	600		400		210	
Buy back KSH02			(10)			
Total	1 100	84	590	11	510	73

* Committed to newbuildings. Borrowings will be available at time of delivery of the vessels.
** Tap issues are possible under the bond agreement.

Maturity profile to financial liabilities at 30 June 2016

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 2016	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	27 531	101 221	31 006	25 971	185 729
Bond loan (incl interests)	5 869	44 476	65 504	-	115 849
Accounts payable	1 457	-	-	-	1 457
Current debt to related parties	747	-	-	-	747
	35 603	**145 697**	**96 510**	**25 971**	**303 781**

Commitments newbuildings

The commitments related to newbuildings are set out below. The first three combination carriers are scheduled for delivery in 2016 and 2017, the next three combination carriers are scheduled for delivery in second half of 2018 and first quarter of 2019.

Remaining installments at 30 June 2016	2016	2017	2018	2019	Total
Combination carriers	43 266	45 340	72 720	33 740	195 066
Total commitments newbuildings	**43 266**	**45 340**	**72 720**	**33 740**	**195 066**

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.

To hedge the Group's bond loans, the Group has entered into three cross currency interest rate swap agreements. The interest rate and currency swap agreements are designated as cash flow hedges and are effective hedging instruments. Changes in fair value are recognised in other comprehensive income.

Covenants
Existing credit facilities impose restrictions which may limit or prohibit the ability for some of the entities in the Group to incur additional indebtness, sell shares in subsidiaries, commit to new capital expenditure, pay dividends, engage in mergers and de-mergers or purchase and sell vessels without the consent of lenders (non-financial covenants). In addition, lenders may accelerate the maturity of the indebtness under financing agreements and foreclose upon the collateral securing the indebtness upon the occurence of certain events of defaults. Various debt agreements of the Group contain covenants which require the compliance of certain financial covenants. With regards to such covenants, the Group has to maintain a minimum market value of the vessels relative to outstanding loan amount, in the range 110-125 %, minimum equity on Group level of USD 125 mill, a minimum equity ratio of 30 %, maximum gearing ratio measured by net interest-bearing debt/EBITDA of 5.0 and a minimum free cash position of USD 10 mill. Certain cross-default provisions exist. The Group is in compliance for all of its covenants at 30 June 2016.

Securities
As a security for the mortgage debt, the company has included a first priority security in all vessels and assignment of the earnings and insurances of the vessels in favour of the debtors. In addtion some loans have pledge in shares of some of the subsidiaries.

Book value of collateral, mortgaged and leased assets	30 June 2016	30 June 2015	2015
Vessels*	248 492	463 198	438 478
Total book value of collateral, mortgaged and leased assets	248 492	463 198	438 478

*Includes vessels held for sale

Note 7 - Bond loans

The Group entered into two bond agreements in May 2013 (KSH01) and in March 2014 (KSH02).

The bond loans are listed on Nordic ABM and has a bullet structure with no repayment until maturity in May 2018 and March 2020 respectively. Bond loans are subject to an interest rate of 3M NIBOR plus a margin of 4.25 and 4.75. Both bond loans are issued by Klaveness Ship Holding AS.

As the Group's base currency is USD, cross currency interest rate swaps (CCIRS) from NOK to USD, and from floating to fixed interest rate of the range 6.01% - 6.37 %, has been entered into. The CCIRS covers 100 % of the oustanding NOK 200 mill in the KSH-01 bond and 75 % of the NOK 400 mill KSH-02 bond at 30 June 2016, 85 % of total bond debt is hedged.

Covenants are described in note 6.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000) 30.06.2016	30.06.2015	2015
KSH01					
Original loan amount	300 000	08.05.2018	52 250	52 250	52 250
Buy back	(100 000)		(17 417)	(17 417)	(17 417)
Exchange rate adjustment			(11 218)	(9 452)	(12 102)
Capitalized expenses			(336)	(448)	(333)
			23 279	24 933	22 398
KSH02					
Original loan amount, fixed	300 000	20.03.2020	50 500	50 500	50 500
Original loan amount, floating	100 000	20.03.2020	16 828	16 828	16 828
Buy back	(10 000)		(1 355)	(1 355)	(1 355)
Exchange rate adjustment			(19 924)	(16 480)	(21 648)
Capitalized expenses			(504)	(679)	(650)
			45 545	48 813	43 675
Debt as of reporting period	**590 000**		**68 824**	**73 746**	**66 073**

Fair value of the bonds at 30 June 2016 is USD 68.4 million. Fair value of the bonds listed on Nordic ABM (ticker KSH01 PRO, KSH02 PRO) is based on traded information (financial hierarchy level 1).

Note 8 - Transactions with related parties

The ultimate owner of the Klaveness Ship Holding AS 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 such as technical management, crewing management, IT and energy management. For the newbuildings in the Group, Klaveness Ship Management AS performs supervision and project management services.

The Group owns six combination carriers which participate in a pool operated by Cabu Chartering AS (related party) (note 2).

USD'000 Supplier	Type of agreement	30.06.2016	30.06.2015	2015
Klaveness AS (sister company)	Business administration fee	(458)	(2 804)	(529)
Klaveness AS (sister company)	Commercial management fee	(1 942)	(302)	(4 492)
Klaveness AS (sister company)	IT fee	(108)	(266)	(392)
Klaveness Ship Management AS (sister company)	Ship Mangement fee	(2 274)	(2 822)	(4 069)

USD'000 Receivables from related parties	30.06.2016	30.06.2015	2015
Cabu Chartering AS (sister company)	7 430	4 357	5 938
Receivables from related parties	**7 430**	**4 357**	**5 938**

USD'000 Current debt to related parties	30.06.2016	30.06.2015	2015
Klaveness AS (sister company)	320	129	6
Klaveness Ship Management AS (sister company)	427	756	358
Cabu Chartering AS (sister company)	-	-	40
Current debt related parties	**747**	**885**	**404**

Note 9 - Taxes

The group mainly operates in the Norwegian tonnage tax regime which exempt 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 on 25 %.

Tax expense for H1-2016 is estimated based on 25% of taxable/deductible items in the parent company (ordinary taxation) and currency adjustment of the deferred tax asset per 30 June 2016. 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 2016, estimated net tax income amounts USD 0.8 million.

At 30 June 2016 the Group has recorded a deferred tax asset of USD 7.9 million (2015: USD 7.6 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 is not recognized if it's 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 2016.

Note 11 - Events after the balance sheet date

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.

In line with the Group's strategy to focus on building a global combi business a decision to sell the Kamsarmax vessel MV Bavang has been reached. The work of finding a buyer started after the balance sheet date. At 30 June 2016 book value of the vessel is USD 19 million.

There are no other events after the balance sheet date that have material effect on the financial statement as of 30 June 2016.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the consolidated financial statements for the period 1 January to 30 June 2016 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 management report includes a fair review of important events that have occurred during 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 2016.

Vækerø, 19 August 2016

Lasse Kristoffersen	Rebekka Glasser Herlofsen
Chairman of the Board	Board member
Morten Skedsmo	Bent Martini
Managing Director	Board member