FINANCIAL STATEMENTS

KLAVENESS SHIP HOLDING CONSOLIDATED

30 JUNE 2013

Torvald Klaveness

MAIN FINANCIALS PER 30 JUNE 2013

Operating revenues for the first half of 2013 was USD 46.1 million and EBITDA was USD 27.0 million. Net profit after tax was USD 18.8 million, whereof USD 2.4 million was minority interests related to the external investors in some of the cabu Inc companies.

Book equity excluding minority interest was USD 232.0 million at the end of June 2013 and USD 241.5 million including minority interests. The latter equaled an equity ratio of 51%. Cash flow from operations was USD 12.2 million in the same period.

GENERAL INFORMATION

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). Due to a corporate restructuring, the 2012 accounts for Klaveness Ship Holding on a consolidated basis are pro-forma and for the whole year. The financial statements for the corresponding period in 2012 are not available.

EVENTS IN THE FIRST HALF OF 2013

There have been no major incidents or disruptions to the operations of Klaveness Ship Holding in the first half of 2013. The selfunloader newbuilding, MV Balto and the container vessels MV Balao and MV Ballenita were delivered in March, April and July respectively.

The selfunloader vessels' earnings were negatively impacted by bad weather conditions at the start of the year, but have since improved to a stable level. The cabu vessels' earnings remain stable, but at a somewhat lower level than in 2012 due to a higher number of dry bulk days in a weak dry bulk market. Earnings for the selfunloaders and cabu vessels remain well above rates in the standard dry bulk market. Short term time charters were entered into for the two container newbuildings.

In May 2013, a subsidiary of Klaveness Ship Holding AS entered into an agreement with Jiangsu New Yangzi Shipbuilding Co. Ltd. to swap the fourth container newbuilding for another newbuilding, which has resulted in both a price reduction and an earlier delivery of the vessel. In June, agreements were entered into with the same yard, to purchase two 2,500 TEU container vessels currently under construction. These vessels are estimated to be delivered in the first quarter of 2014. A term sheet for part financing of the two vessels has been signed with a bank.

Klaveness Ship Holding AS has in the period established two new companies; Klaveness Container Holding AS and Klaveness Container AS as a subsidiary of the former, to consolidate the ownership of Torvald Klaveness' container vessels in one structure, including the intended purchase of two container vessels currently owned by two Torvald Klaveness Singapore subsidiaries. Following this transaction, Klaveness Ship Holding AS will, via subsidiaries, be the owner of all vessels in the Torvald Klaveness group.

The delivery of MV Balchen has been somewhat delayed from the yard, however, the vessel is expected to be delivered in September 2013.

PROFIT AND LOSS STATEMENT PER 30 JUNE 2013

Operating revenues for the first half of 2013 was USD 46.1 million and operating costs amounted to USD 17.9 million. EBITDA was USD 27.0 million and net financial items were USD 2.6 million negative. Net profit after tax was USD 18.8 million, whereof USD 2.4 million was Minority interests related to external investors in some of the cabu vessels. The result was positively impacted by a reversal of impairments on the container vessels of USD 7.5 million related to the swap from one container newbuilding to another container newbuilding at the same yard.

The first half results were negatively impacted by positioning costs and upstoring of new vessels, and the new container vessels have a small negative result impact due to upstoring and other initial costs in combination with low rates in the container market.

The financial costs have increased due to the increase in interesting bearing debt, both related to delivery of newbuildings, refinancing of existing debt and the issuing of a bond.

BALANCE SHEET PER 30 JUNE 2013

Total assets have increased by USD 111.74 million and are USD 477.7 million by the end of June 2013. Fixed assets have increased by USD 85.4 million due to the delivery of two newbuildings in March and April. In addition, the payment for the vessel that was delivered in July was paid in late June, some days before the delivery and yard instalments for some of the other vessels was also paid during first half of 2013. Current assets were by the end of June USD 105.4 million, up from USD 79.1 million at year end 2012. Cash and bank deposits were USD 86.6 million.

Total equity increased by USD 12.7 million during first half of 2013. This corresponds to a book equity ratio of 51%, down from 63% at year-end 2012. The main reasons for the decrease are newbuildings that are financed by bank debt at delivery and the bond debt issued in May.

The interest-bearing debt is related to the financing of the vessels and a bond of NOK 300 million. The interest-bearing debt amounted to USD 227.9 million.

CASH FLOW PER 30 JUNE 2013

The cash flow from operating activities was USD 12.2 million. Two vessels were delivered during first half of 2013 and in addition yard instalments were paid for several of the other vessels. These payments had negative cash effect of USD 76.7 million. Long term liabilities increased by USD 102.0 million mainly due to financing of newbuildings and a bond issue. Klaveness Ship Holding received on a consolidated basis USD 17.0 million in group contribution and distributed USD 7.1 million in dividends to minority shareholders.

FLEET, MARKETS AND SEGMENTS

By end of June the fleet consisted of six cabu vessels, one LR tanker, four selfunloaders and one container vessel. In addition, Klaveness Ship Holding on a consolidated basis had one selfunloader and five container vessels under construction.

Cabu: Despite a weak dry bulk spot market and temporary lower caustic soda consumption in Australia due to bad weather, the cabu rates have stayed at a high level for the first half of 2013.

Selfunloader: The selfunloaders' earnings suffered in the beginning of the year due to bad weather conditions. During the last months, there has been a good balance between vessels and cargo in the CSL pool and major ballast legs have been avoided. MV Balto had one offhire incident in May, while the other vessels performed well during the period.

Container: The four sailing vessels (including MV Ballenita (delivered early July) and MV Amundsen and MV Barry which are to be acquired from the Singaporean subsidiaries) are all employed on short-term time charters with liner companies. MV Balao and MV Ballenita have both secured short-term time charters, while the charters for MV Amundsen and MV Barry were extended at improved timecharter rates with the existing charterers. The next newbuilding, MV Balsa, is expected to be delivered in September 2013, and discussions with potential charterers are in progress. There have been two incidents with technical off-hire on the container vessels, and in total the off-hire was 7 hours. All vessels are performing well.

The outlook for the rest of 2013 remains in line with the year so far, but earnings should improve somewhat with a higher number of ships on the water.

MAIN RISKS

The company has entered into a cross-currency interest rate swap, converting floating interest payments to fixed rate and from NOK to USD, as a risk mitigating activity. The remaining long-term interest bearing debt is subject to floating interest rates. The company has limited exposure to the currency market as mainly all income and costs are USD denominated.

Operational risks are managed through quality assurance procedures and systematic training of seafarers and land based employees. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat of such attacks.

Klaveness Ship Holding has on a consolidated basis five vessels under construction in China and is therefore exposed to the risk of delay or failure of the yards to complete the vessels. The yards have been chosen for their track record and financial standing, and the building work is progressing as planned except for a delay on the selfunloader vessel. Klaveness has dedicated personnel on site supervising the building process and tier one Chinese banks have provided refund guarantees.

A large newbuilding program increases the company's financial and liquidity risk in the building period and Klaveness has secured bank financing for the newbuildings to mitigate this risk. With this financing in place the liquidity risk of the company is deemed acceptable and current cash and projected operating cash flow is considered sufficient to cover the company's current liabilities.

CONSOLIDATED INCOME STATEMENT

USD '000		30.06.2013	Proforma 31.12.2012
Operating revenues and expenses			
Gross revenues from operation of vessels	NOTE 2	46 083	100 146
Operation of vessels and voyage related expenses		(17 854)	(27 711)
Operating income from vessels		**28 230**	**72 435**
Ordinary depreciation vessels	NOTE 5	(13 132)	(26 171)
Impairment of vessels	NOTE 6	7 500	(31 164)
Tonnage tax		0	(174)
Other administration expenses	NOTE 4	(1 221)	(2 745)
Total operating expenses		**(6 854)**	**(60 254)**
Operating profit/loss (-)		**21 376**	**12 181**
Financial income and expenses			
Interest income		50	126
Interest income from group companies		1	5
Other financial income		0	2
Interest expenses		(1 832)	(1 817)
Interest expenses to group companies		(43)	(102)
Other financial expenses		(260)	(247)
Net currency gain / loss (-)		(497)	194
Net financial items		**(2 580)**	**(1 839)**
Profit / loss (-) before taxes		**18 796**	**10 342**
Taxes	NOTE 17	0	(481)
Profit / loss (-) for the year		**18 796**	**9 861**
Minority interests of profit / loss (-) for the year		2 352	6 070
Majority interests of profit / loss (-) for the year		**16 443**	**3 790**

CONSOLIDATED BALANCE SHEET

USD '000 Year ended December 31		30.06.2013	31.12.2012 Proforma
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset		271	283
Goodwill		0	42
Total intangible fixed assets		**271**	**324**
Tangible fixed assets			
Vessels	NOTE 5	286 033	209 413
Newbuilding contracts, vessels	NOTE 6	85 979	77 140
Total tangible fixed assets		**372 012**	**286 553**
Financial fixed assets			
Investments in associated companies		**0**	**22**
Total financial fixed assets		**0**	**22**
Total fixed assets		**372 283**	**286 899**
Current Assets			
Accounts receivable			
Bunkers on board vessels		0	383
Accounts receivable		0	3 658
Receivables from group companies	NOTE 7	12 165	30 037
Other short-term receivables	NOTE 8	6 663	5 547
Cash and bank deposits	NOTE 9	86 580	39 429
Total current assets		**105 408**	**79 056**
Total assets		**477 691**	**365 955**

CONSOLIDATED BALANCE SHEET

USD '000 Year ended December 31		30.06.2013	31.12.2012 Proforma
EQUITY AND LIABILITY			
Equity			
Share capital (1 000 shares of NOK 11 000)		1 654	1 654
Share premium reserve		477	477
Other paid in capital		5 585	5 585
Total paid in capital	NOTE 10	**7 717**	**7 717**
Other equity		224 278	206 678
Total equity before minority interests		**231 995**	**214 394**
Minority interests		9 510	14 438
Total equity including minority interests	NOTE 10	**241 506**	**228 833**
Long-term liabilities			
Tax liability - tonnage tax system		0	0
Total provisions		**0**	**0**
Mortgage debt	NOTE 11	155 832	96 763
Long-term liabilities to group companies	NOTE 13	0	3 832
Other long-term liabilities	NOTE 11	62 095	3 938
Total long-term liabilities		**217 927**	**104 533**
Current liabilities			
Accounts payable		0	5 236
Debt to group companies	NOTE 14	1 359	886
Income taxes payable		0	4 473
Tonnage tax payable		161	174
Other current liabilities	NOTE 15	16 738	21 821
Total current liabilities		**18 258**	**32 590**
Total liabilities		**236 185**	**137 123**
Total equity and liability		**477 691**	**365 955**
Equity ratio		51 %	63 %
NIBD/EBITDA*		2,0	1,2

** Annualised EBITDA for newbuildings delivered in the period.*

CONSOLIDATED CASH FLOW STATEMENT

USD '000	30.06.2013	2 012
Net profit / loss (-) before tax	18 796	10 343
Taxes paid	(4 473)	(4 381)
Depreciation, write-down and reversal of write-down	5 632	57 335
Increase (-) / decrease in current assets	2 913	2 437
Increase / decrease (-) in current liabilities	(10 740)	5 010
Change in other accrual items	28	(256)
Net cash from operating activities (1)	**12 156**	**70 488**
Investments in associated companies	0	18
Investments in vessels and newbuilding contracts	(76 697)	(60 354)
Payments made by increase (-) / decrease of loans to associated companies	0	
Change in minority interests	(149)	
Net cash from investing activities (2)	**(76 845)**	**(60 336)**
Increase / decrease (-) in long-term liabilities	52 228	13 618
Increase / decrease (-) in long-term liabilities in Bond market	52 250	0
Capitalized fees	(2 513)	(1 212)
Group contribution	16 991	(2 288)
Change in equity (sale of group company)	16	0
Dividends to minority interests	(7 131)	(6 671)
Currency effect - long-term liabilities	0	
Net cash from financing activities (3)	111 841	3 447
Net decrease (-) /increase (1+2+3)	**47 151**	**13 599**
Cash at January 1	39 429	25 830
Cash at June 30	86 580	39 429
Net decrease (-)/increase in cash	**47 151**	**13 599**

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the consolidated financial statements for the period 1 January to 30 June 2013 have been prepared in accordance with the Norwegian Accounting Act and NGAAP 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 first six months of the financial year and their impact on the consolidated financial statements of the company, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Vækerø, 29 August 2013

Lasse Kristoffersen	Rebekka Glasser Herlofsen
Chairman	Board member
Morten Skedsmo	Jarle Kverneggen
Board Member	General Manager

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1
ACCOUNTING PRINCIPLES

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

BASIS OF CONSOLIDATION

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1
ACCOUNTING PRINCIPLES

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

VALUATION OF TANGIBLE ASSETS AND LIABILITIES
Property, plant & equipment
Tangible assets with a limited useful life are depreciated according to a depreciation schedule based on best estimates of expected useful life and taking into account each asset's wear, tear and age. Tangible assets are written down when the carrying value of the asset exceeds the recoverable amount. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash inflows. The write down is reversed if the conditions leading to impairment no longer exist.

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

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

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

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

ESTIMATES AND ASSUMPTIONS
Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures will generally differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis.

Management uses estimates and assumptions in connection with the determination of fair market value for the purpose of assessing added values as well as impairment of assets.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1

ACCOUNTING PRINCIPLES

REVENUE RECOGNITION

The group's revenues are largely generated through investments in dry-bulk cargo ships and container vessels and companies that own such vessels. The group directly owns four self-unloaders, which are included in a spot co-sailing pool managed by CSL International Ltd. (CSL). In addition, the group directly owns six cabu (caustic bulk) vessels that is part of a co-sailing pool managed by a company in the Torvald Klaveness Group, in which the vessels operate largely under long-term contracts. The group also owns directly one container vessels which is on a fixed TC contract.

Profit from the co-sailing pool is allocated to each ship participating in the pool, calculated based on allocation keys (Pool Earning Points, PEP) stipulated in pool participation agreements. Revenues and costs associated with the vessels' voyages are accrued according to the share of voyage days that occur before closing. A voyage is defined as begun after the previous voyage has completed unloading.

Gains and/or losses that arise from the sale of fixed assets are presented as operating revenues or operating expenses.

FINANCIAL INVESTMENTS

Definitions of differing financial investments are included under relevant headings below. Subsidiaries are consolidated in the Group accounts on a 100 percent basis. Joint ventures are accounted for in the Group using the proportionate consolidation method. Associated companies are accounted for in the Group using the equity method. Other long-term investments are stated according to the cost method. Short-term investments are valued at the lower of cost or fair market value.

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

VESSELS UNDER CONSTRUCTION (NEWBUILDING CONTRACTS)

Vessels under construction are capitalized in line with the payments to the yard. In addition to contractual payments, inspection costs and other expenses during the construction period are capitalized as vessels under construction. Interest on external financing of the contracts is capitalised as part of the cost of the newbuilding.

PERIODIC MAINTENANCE

Periodic maintenance and docking of vessels are recorded in the balance sheet and expensed across the period until the next periodic maintenance and/or docking, typically every thirtieth month. Upon acquisition of a vessel, a proportion of the acquisition cost is separated from the vessel's cost price, recognized in the balance sheet, and subsequently expensed as periodic maintenance/docking. Actual expenses for ongoing maintenance are charged to operating expenses as the maintenance takes place. Depreciation of docking is included in ordinary depreciation; docking is classified along with the vessel in question in the balance sheet. Specific details appear in the notes to the accounts. Refer to notes for vessels.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1
ACCOUNTING PRINCIPLES

DERIVATIVE INSTRUMENTS

The Group uses interest rate swaps either to manage financial risks (hedging) or within given mandates to maximise profit (non-hedging). The purpose of the derivatives determines which accounting principle is applied.

Hedging

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

Non-hedging

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

TAX

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

As part of the Norwegian fiscal budget for 2008 the Norwegian authorities decided to change the Norwegian tonnage tax system, and replace the previous framework based on deferred taxation of income from shipping activities with a new tax system based on permanent tax exemption for qualifying shipping activities. The new system applied from 1 January 2007. As an integral part of the amendments to the tonnage tax system, the deferred tax liability in the old system became taxable based on an income settlement calculated according to certain transitional provisions.

On February 12, 2010 the Norwegian Supreme Court ruled that the original transitional rules, where the untaxed profits under the old tonnage tax regime became taxable when entering into the new tonnage tax regime of 2007, were unconstitutional. As a consequence of the ruling the relevant part of the tax assessments for the income year 2007 was disregarded. However, the Supreme Court did not give any directions on how the untaxed profits from the previous tonnage tax regime should be treated from 2007 onwards. At the moment of closing the accounts for 2009 it was not clear what the consequences would be, but the company adapted in accordance with the common understanding of the rules and regulations.

On March 26, 2010 the Norwegian Ministry of Finance proposed new rules for the settlement of the untaxed profits. The rules were adopted on the 25th of june 2010. The rules stipulated two alternatives for settling the accounts, and that the choice of alternative had to be made with the submission of the tax return for 2010. The Group will choose the alternative where two-thirds of the original income settlement as per January 1, 2007 is taxable with a tax rate of 10 % over the period 2010-2012.

Because tax is charged at the investor level, no tax expense is recorded in the profit and loss account, nor are tax positions recorded in the balance sheet. A separate note presents the basis for tax calculation issues, including details as to the basis for tax payable and the recording of deferred tax and deferred tax benefit. Tax-increasing and tax-reducing temporary differences that are reversed or can be reversed in the same period are offset.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1
ACCOUNTING PRINCIPLES

FOREIGN CURRENCY
The currency used in the financial statements in USD which is the same currency as the group's functional currency.

Transactions in currencies other than the currency used in the financial statements are translated into the currency used in the financial statements using the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the currency used in the financial statements using the exchange rate in effect on the balance sheet date. Exchange differences arising from translations into the currency used in the financial statements are recorded in the income statement. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the currency used in the financial statements using the historical exchange rate. Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate on the date of the determination of the fair value. Assets and liabilities hedged with currency forward contracts are valued at the contract strike currency rate.

RECEIVABLES
Receivables are recorded at their nominal value, less expected losses. Provisions for losses are made following an assessment of each receivable.

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

INSURANCE CLAIMS
Deductibles associated with damages are expensed at the time the insurance company becomes liable as to the loss.

RELATED PARTIES
Transactions with related parties are conducted at arm’s length on market terms.

Interest on long-term loans and debt among companies in the Torvald Klaveness Group, is calculated at arm’s length. A floating interest rate is used as a basis (for example, 3-month NIBOR/LIBOR or 6-month NIBOR/LIBOR). Among companies wholly owned by Rederiaksjeselskapet Torvald Klaveness or other companies that comprise wholly owned companies in the Torvald Klaveness Group, a margin is added to the floating interest rate, depending on the purpose of the loan. The margin is typically set at the Torvald Klaveness Group’s funding cost. For loans to companies that are not wholly owned but included in the Torvald Klaveness Group, an evaluation of risk is made (based on external funding costs where available), and the rate is thereafter adjusted based on this evaluation.

For outstanding accounts between closely related parties and companies in the Torvald Klaveness Group, interest is calculated at arm’s length. For this purpose, close associates are defined as individuals or companies that directly or indirectly own an interest in Rederiaksjeselskapet Torvald Klaveness or that are associated with such persons or companies. Typically, a floating interest rate is applied (for example, 3-month or 6-month NIBOR). A margin is added depending on the purpose of the loan, the risk and expected term to maturity of the loan. For agreements not based on floating interest, a fixed interest rate is used that corresponds to the interest level that applies in the market at large, under the same terms and conditions, at the time of entrance into the loan agreement.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 1
ACCOUNTING PRINCIPLES

CASH FLOW STATEMENT
The cash flow statement is prepared and presented according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term liquid investments, mainly bonds and equity funds.

EVENTS AFTER THE BALANCE SHEET DATE
Assets and liabilities that are recorded in the balance sheet may be based on assumptions and uncertainties. Events that occur after the balance sheet date and that result in new information that leads to a reassessment of an item of asset or liability, are accounted for accordingly. Examples of such events after the close of the balance sheet date are legal decisions, payments and settlements received from customers that had been outstanding, final determination of bonuses or other performance-dependent remuneration. Material events after the balance sheet date are presented in a separate note to the financial statement.

COMPARITIVE FIGURES
Comparative figures are adjusted to reflect material changes in accounting principles and significant errors in previous years' financial statements. Significant changes in accounting principles are presented as a separate item under accounting principles

If changes are made to the classification and grouping of accounting items, comparative figures are correspondingly adjusted.

KLAVENESS SHIP HOLDING AS

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 2

USD '000	30.06.2013
OPERATING REVENUES	
Selfunloaders	17 077
Cabu carriers	28 371
Container vessels	559
Other revenue	199
Total operating revenues	**46 206**

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 3
The following companies are included in Klaveness Ship Holding AS - Consolidated Financial Statements

Parent Company	Subsidiaries/ affiliated companies	Date of acquisition	Location	Company's share capital	Par value	Number of shares	Direct/ indirect ownership	Subsidiaries	Indirect ownership
Klaveness Ship Holding AS									
	Other subsidiaries								
	T Klaveness Shipping AS	19.03.2013	Oslo				100,00 %		
	*Banasol Inc**	21.05.1999	Oslo				50,00 %		
	*Banastar Inc.**	04.08.1999	Oslo				50,00 %		
	*Cabiu Bangor Inc. **	01.01.2002	Oslo				100,00 %		
	*Cabu V Investment Inc.**	29.10.2004	Oslo				95,00 %		
	*Cabu VI Investment Inc.**	30.11.2004	Oslo				81,00 %		
	KCL Shipholding AS	01.01.2005	Oslo				100,00 %		
	Klaveness Cement Logistics AB	22.12.2005	Stockholm				100,00 %		

* Indirect ownership through T Klaveness Shipping AS.

NOTE 4
NUMBER OF EMPLOYEES, REMUNERATION

The consolidated Klaveness Ship Holding AS has no employees. Services are acquired from other Group companies.

USD '000 Remuneration to the auditor:	30.06.2013
Statutory audit (ex. VAT)	70
Tax and other services for auditor (ex. VAT)	0
Total remuneration to the auditor (ex. VAT)	**70**

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 5
VESSELS

USD '000	Selfunloaders	Cabu carriers	Container	Total vessels
2013				
Cost January 1, 2013 - vessels	116 188	236 092	0	352 280
Cost January 1, 2013 - docking	7 171	7 795	0	14 966
Additions	57 422	1 141	31 237	89 800
Disposals	0	-807	0	-807
Cost June 30, 2013 - vessels	**172 610**	**236 105**	**30 587**	**439 302**
Cost June 30, 2013 - docking	**8 171**	**8 116**	**650**	**16 937**
Accumulated depreciation	-48 744	-121 178	-286	-170 208
Accumulated impairment	0	0	0	0
Net book value June 30, 2013 - vessels	127 756	119 243	30 333	277 332
Net book value June 30, 2013 - docking	4 282	3 801	618	8 701
Net book value June 30, 2013 - total	**132 038**	**123 044**	**30 951**	**286 033**
Depreciation for the year, 2013 - vessels	-3 364	-6 665	-254	-10 283
Depreciation for the year, 2013 - docking	-1 425	-1 392	-33	-2 849
Impairment for the year, 2013	0	0		0
Average useful life	20	20	20	
Average remaining useful life	14	10	20	
Depreciation schedule (straight-line / declining balance)	Straight-line	Straight-line	Straight-line	

Selfunloaders includes MV Barkald, MV Balder, MV Baldock and MV Balto
Cabu Carriers includes MV Baru, MV Banasol, MV Baniyas, MV Banastar, MV Cabu Bangor, MV Bantry, and MV Bakkedal.
Container vessels include MV Balao

In principle, the vessels are depreciated over a period of 20 years, (or their remaining expected period of operating life) to scrap value.

The Groups insurance arrangements are organised through a wholly owned subsidiary and through external insurance companies. The financial impact of a total loss of a vessel will not be material for the Group.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 6
NEWBUILDING CONTRACTS

The Company has in 2010 entered into four newbuilding contracts for container & selfunloader vessels to be delivered in 2013 & 2014. The vessels are ordered from Jiangsu Yangzijiang Shipbuilding Co., Ltd. and Jiangsu New Yangzi Shipbuilding Co., Ltd.

USD '000 Hull number	Vessel type	Date of contract	Expected delivery	Contract obligation	Instalments as of 30.06.2013
YZJ2010-959	Container	23. August 2010	Q2 2013	39 000	39 678
YZJ2010-960	Container	23. December 2010	Q3 2013	39 380	19 690
YZJ2010-961	Container	23. December 2010	Q1 2014	39 380	9 845
CX9704	Selfunloader	26. November 2010	Q3 2013	53 900	32 340
Total newbuliding contracts				**171 660**	**101 553**

Book value newbuilding	CX9704 USD	YZJ2010-959 USD	YZJ2010-960 USD	YZJ2010-961 USD	30.06.2013 USD
Paid instalments	32 340	39 678	19 690	9 845	101 553
Accrued costs newbuildings	3 031	2 092	2 289	2 029	9 441
Write down newbuildings		-10 714	-10 903	-10 898	-32 515
Reversal write downs				7 500	7 500
New book value 30.06.12	**35 371**	**31 056**	**11 076**	**8 476**	**85 979**

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 7

INTRAGROUP RECEIVABLES

USD '000	30.06.2013
Short-term receivables	
Klaveness Ship Management AS	612
Bulkhandling Cabu AS	11 553
Total short-term receivables	**12 165**

Short-term intragroup receivables are defined as items that fall due within one year after the close of the accounting

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 8
SHORT-TERM RECEIVABLES

USD '000	30.06.2013
Accounts receivable	-220
Prepaid expenses	2 281
Accrued income	2 657
Accrued interest	234
Insurance claim	755
Other	955
Total other short-term receivables	**6 663**

NOTE 9
CASH AND BANK DEPOSITS

USD '000	30.06.2013
Cash and bank deposits in NOK	484
Bank deposits in USD	86 096
Total cash and bank deposits	**86 580**

USD 2028 of the cash is restricted.

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 10
EQUITY

USD '000	Share capital	Own shares	Share premium reserve	Other paid in capital	Other equity	Total equity excluding minority	Minority interests	Total equity including minority
Equity at January 1, 2013 (Pro forma)	**1 654**	**0**	**477**	**5 585**	**206 678**	**214 394**	**14 438**	**228 832**
Profit for the year					16 443	16 443	2 352	18 796
Payment to minority interests						0	(7 131)	(7 131)
Increase/(decrease) of minority interests						0	-149	(149)
Other changes					52	52		52
Added value due to internal interest					1 061	1 061		1 061
Equity at June 30, 2013	**1 654**	**0**	**477**	**5 585**	**224 234**	**231 951**	**9 510**	**241 461**

There are a total of 1 000 shares of NOK 1 100 in the company.

The ownership is as follows:	Shares
Rederiaksjeselskapet Torvald Klaveness	1 000
Total shares	**1 000**

The group is a sub-group of Rederiaksjeselskapet Torvald Klaveness, and is included in the total consolidated accounts. The consolidated annual accounts of Rederiaksjeselskapet Torvald Klaveness can be found at the groups address at Drammensveien 260, P.O. Box 182 Skøyen, NO-0212 Oslo, Norway.

KLAVENESS SHIP HOLDING AS

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 11
MORTGAGE DEBT

USD '000	30.06.2013
Repayment schedule	
Falling due within one year	**9 962**
Falling due between one and five years	**155 831**
Total mortgages	**165 793**
Reclassified as short term liabilities	**-9 961**
Total mortgages	**155 832**
Other long-term debt	**9 845**
Total long-term debt	**165 677**

The mortgage debt denominated in USD is partly financing of vessels. The interest on the mortgage debt is floating with a margin.

Capitalized financial expenses consist of up-front fee and committment fee in regards to the refinancing of existing debt. The fees are capitalized and depreciated over the tenor of the loan.

In April 2013 the loans of Banasol Inc. and Banastar Inc. were refinanced.
Drawdowns on loans, partly covering the investment of the 3 newbuildings were made in first half of 2013.

USD 40 mill of the revolving credit faciility was utilised per end June 2013.

Other long-term debt consist of debt to Jiangsu Yangzijiang Shipbuilding Co., Ltd for postponing 25 % of the contract price in regards to newbuilding with hull number YZJ2010-960.

Pledge
Each mortgage loans are secured by a mortgage over one or several vessels, and assignment of insurances and earnings, a pledge of accounts and for some of the companies, a pledge of shares in the borrower.

Covenants
The loan agreements have covenants related to liquidity, equity, NIBD/EBITDA and market values of vessels. As per 30 June 2013, all entities were in compliance with the covenants of their loan agreements.

Committed loans for newbuildings
The company has entered into loan agreements to part finance the vessels under construction. The loans are available on delivery of the vessels.

In May 2012 an amendment to the shipbuilding contracts for two of the container contracts was signed and part of the yard instalments will be postponed by one year after delivery of the vessels.

NOTE 12
BOND LOAN

USD '000		30.06.2013
The group’s revenues are largely generated through investments in dry-bul	**Currency**	**Book Value**
Klaveness Ship Holding AS	USD	52 250
Total bond loan		**52 250**

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 13
OTHER LONG TERM DEBT

USD '000	30.06.2013
Long-term liabilities	
Debt to shipyard	9 845
Total long-term liabilities	**9 845**

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTE 14
LIABILITIES TO GROUP COMPANIES

USD '000	30.06.2013
Current liabilities:	
Klaveness Ship Management AS	492
Klaveness Asia Ltd Pte	4
Klaveness Chartering AS	583
Bulkhandling Cabu AS	280
Total liabilities	**1 359**

Current liabilities are defined as liabilities that fall due within one year after the close of the accounting year.

NOTE 15
OTHER LIABILITIES

USD '000	30.06.2013
Current liabilities:	
Accrued expenses	1 558
Crew accrued wages	1 665
Accounts payable	1 262
Long term debt reclassified	9 961
Other	2 292
Total other current liabilities	**16 738**