

Annual Report 2022



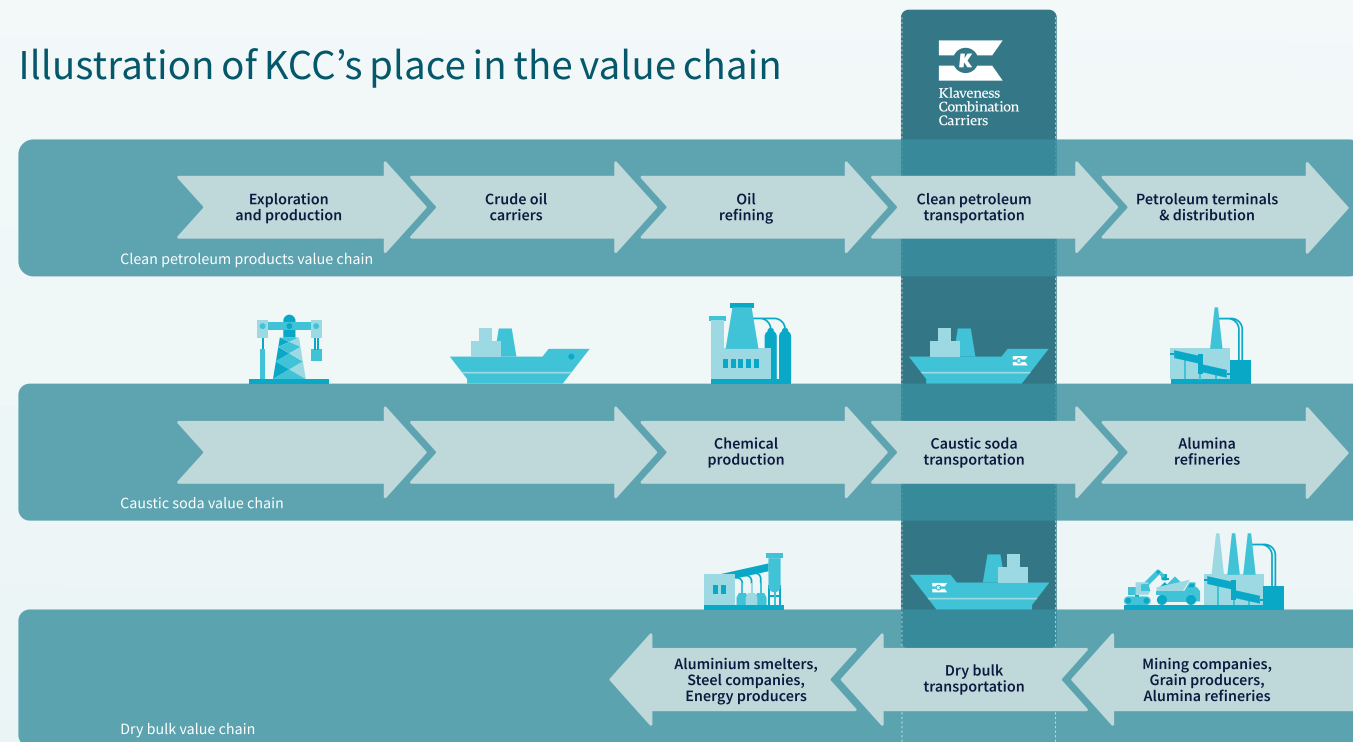
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What we do and how we create value

Klaveness Combination Carriers ASA (KCC, Company) is the world leader in combination carriers. The fleet consists of 16 vessels, eight CABU vessels and eight CLEANBU vessels.

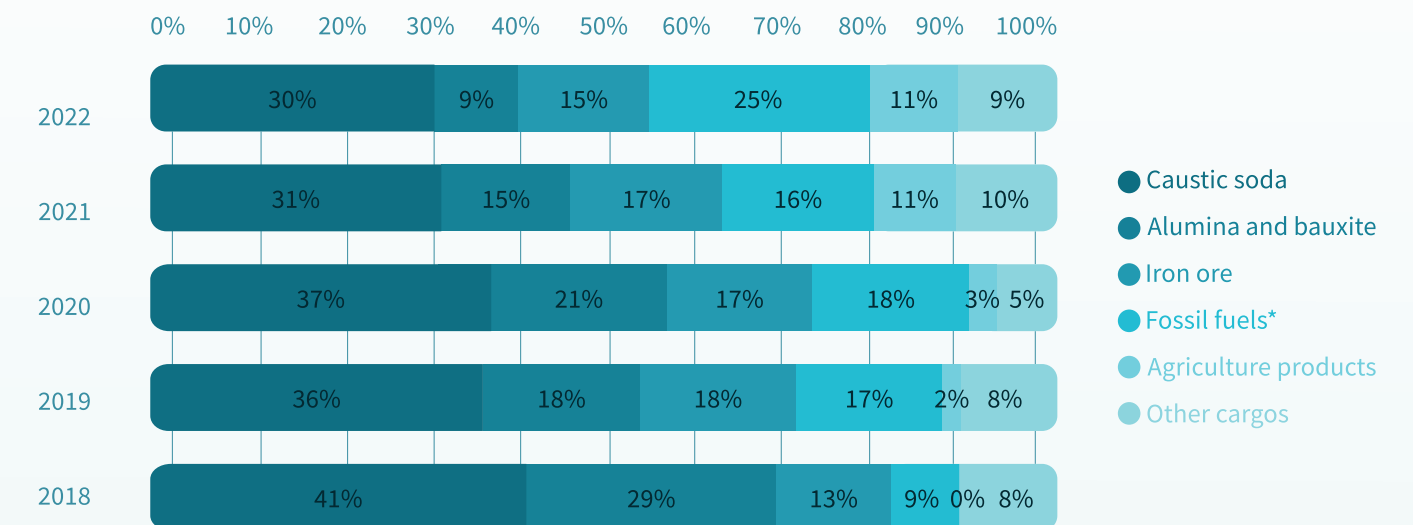
Illustration of KCC's place in the value chain



The CABU (Caustic Soda-Bulk) and CLEANBU (Clean Petroleum Product-Bulk) vessels mainly transport Clean Petroleum Products (CPP) or Caustic Soda Solution (CSS) from refineries and production plants located in Middle East/India, Far East or US Gulf to end users or distributors in Australia and South America, the world's main export hubs of dry bulk commodities. On the return voyage the combination carriers transport dry bulk commodities including alumina, bauxite, grains, salt, iron ore and coal.

The aluminum/alumina industry through the transportation of CSS, bauxite and alumina accounted for 39% of KCC's transported volumes in metric tons (MT) in 2022. KCC had six coal shipments in 2022 (6%), and total fossil fuel shipments including clean petroleum products and coal accounted in total for 25%*. Iron ore shipments for mining companies or steel plants accounted for 15% in 2022.

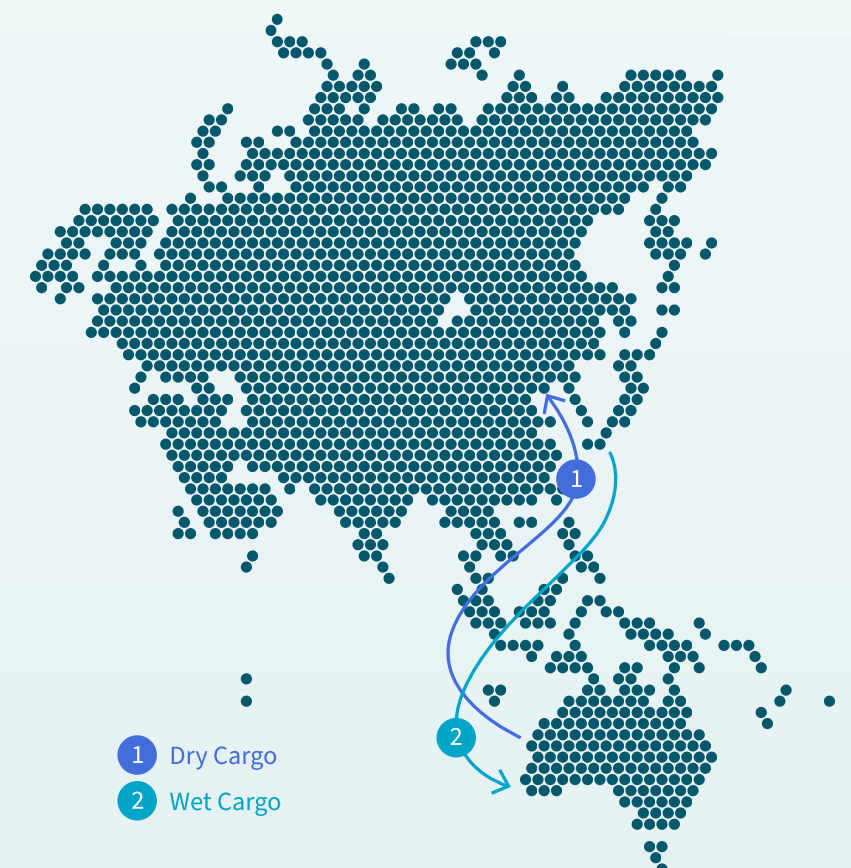
Split of Cargo transported



*Fossil fuels include gasoil, coal, gasoline and jet fuel and other CPP. Naphta and condensate to the petrochemical industry included in other cargo

KCC strives to solve inefficiencies by maximizing the utilization of its fleet and by minimizing ballast between the laden voyages through consecutively switching between dry and wet cargo shipments.

1. Lower carbon emissions: Fuel consumption and hence emissions are 30-40% lower than standard tanker and bulk vessels per ton-mile transported cargo
2. Lower earnings volatility: Diversified market exposure as the vessels transport both dry bulk and tanker products and a positive correlation to bunker prices
3. Premium earnings: Higher asset utilization compared to standard vessels due to two laden legs, giving a higher number of revenue days



2022 ESG performance in brief



Environmental performance

Carbon intensity (EEOI)

6.9

Ambition 2022 <5.8

CO₂/ vessel year

17,900 tons

Ambition 2022 <17,700

- Trialed **carbon pricing** in a cargo contract
- Started more than **15 energy efficiency initiatives** on the existing fleet



Social performance

LTIF 0.3

Ambition <0.5

0

Major or medium injuries

Average high-risk
SIRE observations 0.7

Ambition <2



Governance performance

100%

of employees attended
dilemma training

0

confirmed incidents
of corruption

The Transparency Act
implemented in policies
and procedures

Business progress in volatile markets

Letter from CEO

2022 was an exciting year for KCC with solid progress across KCC's two business segments supported by historically strong, but extremely volatile product tanker, dry bulk and energy markets.

The lifting of the strict Chinese COVID-19 restrictions in January 2023 hopefully marks the end of a close to three-year period disrupting the shipping industry and seaborne supply chains. Strict COVID-19 restrictions for vessels and their crew were maintained in a large part of the world well into the second half of 2022, negatively impacting the daily life of our seafarers. Step by step, restrictions on crew change and shore leave were lifted during the autumn and repatriation of seafarers after end of service period were back to pre-COVID normal at the end of 2022. We are immensely grateful for the sacrifices and the dedication of our crew during this difficult three-year period.

The year has also been marked by the brutal and incomprehensive war in Ukraine impacting pricing, trade flows and activity level in the product, dry bulk and energy markets. The war has, however, had limited negative direct effect on KCC's business.

2022 was the first year with the full CLEANBU fleet in service after taking delivery of the last of eight CLEANBU newbuilds in May 2021. The year has in many ways represented a breakthrough for our CLEANBU business. Determined efforts to further improve technical and operational performance have born fruits with the CLEANBU fleet outperforming average standard product tanker Ship Inspection Report Programme (SIRE) and port state inspection performance in 2022. The number of customers having chartered the vessels doubled from 2021 to 2022 with the CLEANBUS becoming a favorite mode of transport in LR1 product tanker trades to South America with total seven customers having used the vessels in these trade lanes. The trading efficiency of the CLEANBU fleet also improved substantially with time in combination trade increasing from 66% in 2021 to 88% and ballast decreasing from 18% to 13% from 2021 to 2022.

We have also made progress in our CABU business which, after completing relocation of two vessels from South America in second quarter 2022, is now fully dedicated to servicing customers in trades to and from Australia. The number of caustic soda shipments to Australia and hence KCC's market share grew in 2022 and has been further increased for 2023. On-time performance of our CABU fleet in caustic soda loading ports has been maintained at high levels despite negative effects of widespread port congestion and tight caustic soda logistics.

Furthermore, we have advanced well with our decarbonization efforts which are focused on our quest for efficiency improvements. Closer co-operation with our customers is essential to further improve the trading efficiency of our fleet. After a successful trialing in 2022, we are pleased to have implemented the first carbon pricing mechanism into one of our freight contracts with effect from 2023. Multiple energy and voyage efficiency measures have also been installed on all vessels with larger installations being made during regular drydocking of three vessels during the year. Contracts were concluded for an innovative air lubrication system combined with a new shaft generator to be installed on two vessels during 2023. Average CO2 emission per vessel year improved by 5% from 2021 to 2022, while average carbon intensity (EEOI) improved by 7% from 2021.

KCC has had a solid start to 2023 and the outlook for the year is strong based on high fixed-rate and index linked tanker market contract coverage for fleet. While the outlook in our markets is reasonably positive, macro-economic and geopolitical risks remain high. KCC's business model has over time shown resilience to market shocks and the company is positioned to weather any storm and take benefits of market opportunities which may arise during the year.



Engbret Dahm | CEO, Klaveness Combination Carriers ASA