



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 821 065 852
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 35 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 25.02.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 31.03.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Driftsinntekter	2		
Kostnader			
Leie mannskap	9	6 691 895	
Ordinære avskrivninger skip	4	7 447 386	
Andre driftskostnader		13 032 752	
Administrasjonskostnader	6	3 428 005	307 431
Sum kostnader		30 600 038	307 431
Driftsresultat		-30 600 038	-307 431
Finansinntekter og finanskostnader			
Finansinntekter	5	83 978	182 170
Agio/disagio		-645 580	-904 999
Sum finansinntekter		-561 602	-722 829
Finanskostnader	5	7 644 599	8 083 310
Sum finanskostnader		7 644 599	8 083 310
Netto finans		-8 206 200	-8 806 139
Ordinært resultat før skattekostnad		-38 806 239	-9 113 569
Skattekostnad	10		
Ordinært resultat etter skattekostnad		-38 806 239	-9 113 569
Årsresultat		-38 806 239	-9 113 569
Årsresultat etter minoritetsinteresser		-38 806 239	-9 113 569
Totalresultat		-38 806 239	-9 113 569



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip	4	993 421 769	
Fly og flynære eiendeler	4		383 534 005
Sum varige driftsmidler		993 421 769	383 534 005
Sum anleggsmidler		993 421 769	383 534 005
Omløpsmidler			
Varer			
Beholdninger	13	6 232 773	
Sum varer		6 232 773	
Fordringer			
Debitorer	12	2 253 119	1 057 078
Konsernfordringer		13 352 948	176 169 113
Sum fordringer		15 606 067	177 226 192
Bankinnskudd, kontanter og lignende			
Bank	3	19 650 734	19 928 351
Sum bankinnskudd, kontanter og lignende		19 650 734	19 928 351
Sum omløpsmidler		41 489 574	197 154 543
SUM EIENDELER		1 034 911 344	580 688 548
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital 1 000 á kr 30		30 000	30 000
Overkurs		9 930	9 930



Balanse

Beløp i: NOK	Note	2020	2019
Annen innskutt egenkapital		160 293 341	167 099 580
Sum innskutt egenkapital		160 333 271	167 139 510
Other equity			
Sum egenkapital	7, 8	160 333 271	167 139 510
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	11	861 899 783	235 132 747
Langsiktig konserngjeld			176 169 113
Sum annen langsiktig gjeld		861 899 783	411 301 860
Sum langsiktig gjeld		861 899 783	411 301 860
Kortsiktig gjeld			
Leverandørgjeld	12	6 168 685	
Kortsiktig konserngjeld		130 198	639 644
Påløpne renter		4 056 410	1 463 119
Annen kortsiktig gjeld	12	2 322 998	144 415
Sum kortsiktig gjeld		12 678 290	2 247 178
Sum gjeld		874 578 073	413 549 038
SUM EGENKAPITAL OG GJELD		1 034 911 344	580 688 548



Skatteetaten

TS SHIPPING INVEST AS
Postboks 2017
5504 HAUGESUND

Vår dato
13.02.2019

Din/Deres dato
11.01.2019

Saksbehandler
Henning Stokke

800 80 000
Skatteetaten.no

Din/Deres referanse
Petter M Opsal

Telefon
800 80 000

Org.nr
974761076

Vår referanse
2019/5238778

Postadresse
Postboks 9200 Grønland
0134 OSLO

Referansenr.:	Arkivnr.:
KNUTSEN OAS SHIPPING	
18. FEB 2019	
Åpen <input type="checkbox"/>	Fortrolig <input type="checkbox"/>
Saksteh.:	Kopi:

Tillatelse til å utarbeide årsberetning og årsregnskap på engelsk språk

Vi viser til deres brev av 11. januar 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

- KNOT Shuttle Tankers 36 AS 921 657 595
- KNOT Shuttle Tankers 33 AS 920 610 455
- KNOT Shuttle Tankers 37 AS 921 657 633
- KNOT Shuttle Tankers 35 AS 821 065 852
- KNOT Shuttle Tankers 38 AS 921 684 789
- KNOT Shuttle Tankers 39 AS 921 684 762
- KNOT Shuttle Tankers 34 AS 921 065 698
- Knutsen OAS ML AS 920 992 153
- Norspan LNG 14 AS 921 118 546
- Norspan LNG 15 AS 921 968 450

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering selskapene nevnt ovenfor dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden gjengis:

TS Shipping Invest AS ønsker å omfatte flere av selskapene i konsernet til å kunne utarbeide regnskaper og årsberetning på engelsk fra og med regnskapsåret 2018. Alle selskapene i konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper.

Brukerne av regnskapene er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften (ansatte, kunder, leverandører etc.). Aksjonærstrukturen er begrenset. Noen av selskapene eies 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. De aller fleste av selskapenes kunder og leverandører og andre brukere har engelsk som sitt naturlige språk / forretningspråk. Dette gjelder også konsernets långivere.



Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapenes eierkrets er begrenset. I tillegg opererer selskapene i en internasjonal bransje, og arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Inger Helene Iversen
seniorrådgiver
Juridisk avdeling, næring
Skattedirektoratet

Henning Stokke

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

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KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 35 AS

Annual Report 2020



M/T “Synnøve Knutsen”



Knutsen
Group





KNOT SHUTTLE TANKERS 35 AS

REPORT OF THE BOARD OF DIRECTORS 2020

KNOT Shuttle Tankers 35 AS owns one 153,000 DWT suez-max DP2 shuttle tanker, M/T Synnøve Knutsen, delivered from Hyundai Heavy Industries Co., Ltd. in South Korea 22 October 2020.

The company operates out of Haugesund, Norway and has no employees and working environment. KNOT Management AS in Haugesund manages the daily operations of the company and the vessel in accordance with separate agreements.

The company's activity

The vessel will be chartered to Equinor Shipping Inc., a Equinor ASA company, from December 2021 on a five-year time charter agreement with three options of two years and 9 options of one year in charters option. The Company have secured a short term time charter to the group partnership Luky KS from January 12, 2021 for operation under their time charterparty with Petrobras in Brazil. The manager and the board of directors are seeking employment for the vessel for the period after the Luky KS charter and until startup of the Equinor charter later this year with oil companies in Brazil.

Result for the year

The operating result for KNOT Shuttle Tankers 35 AS was minus NOK 30 600 038 in 2020 compared to minus NOK 307 431 in 2019. After net financial loss of NOK 8 206 200 in 2020, a loss of NOK 8 806 139 in 2019, the loss of the year was NOK 38 806 239 in 2020 compared to a loss of NOK 9 113 569 in 2019.

The Board of Directors propose to cover the loss with other paid-in equity.

Total cash flow for operational activities was minus NOK 40 745 718, minus NOK 9 421 975 in 2019. The liquidity position was NOK 19 650 734 as per 31.12.2020 compared to NOK 19 928 351 as per 31.12.2019. The company's ability to finance its investments is good.

The company's short term debts per 31.12.2020 was 1.4% of total debt (0.54% in 2019).

Total capital was by the end of the year NOK 1 034 911 344, NOK 580 688 548 at the end of 2019. The equity share as of 31.12.2020 was 15 % compared to 29% the year before.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since the majority of the company's operating expenses and financial costs also are denominated in USD, this limits the company's foreign exchange risk. The company has not entered into any forward contracts or other agreements in order to reduce the company's foreign exchange risk, and thereby operating related market risk.

The financial accounts are made on the assumption of a going concern. The Board of Directors confirms the conditions for continued operation. The Board of the Directors is of the opinion that the financial statements give a true and fair reflection of the company's assets and liabilities as well as financial strength and profitability.



The environment safety and quality control

The requirements for environment and safety in the operations of vessels are increasing, and both the Company, the manager and the Knutsen NYK Offshore Tankers Group emphasize operational quality.


The Company and the manager allocate considerable resources to quality control, and there are strict requirements to safety and the operational systems of vessels. There are no indications that the company pollutes the external environment significantly, and the board of directors considers the working conditions as satisfactory. All certificates are valid. The new-building will be certified in accordance with both the ISM and ISPS codes.

The company have no employees and thus no working environment. The company aims to be workplace where there is no discrimination related to gender, ethnicity, religion or disability. The company aims to avoid gender discrimination regarding salary, promotion and recruiting. The members of the Board of Directors are all men.

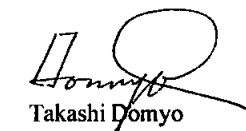
Future prospects

M/T Synnøve Knutsen started on January 12 2021 after being tested and accepted by Petrobras in Brazil on a short-term time charter with the group company Luky KS. The manager is seeking further employment for the vessel for 2021. M/T Synnøve Knutsen will from December 2021 be operated on a long-term charter with Equinor Shipping Inc. where the fixed period ends in the 4th quarter of 2026. Equinor have already accepted the vessel. The charterer and trading area is well known for the manager and the Board of Directors. Based on the operation of the vessel in 2020, the long term financing of the vessel and the long-term charter-party of the vessel, the Board of Directors of KNOT Shuttle Tankers 35 AS expects 2021 to be a satisfactory year for the vessel and the company.

Haugesund, February 24, 2021



Trygve Seglem
Chairman of the Board



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 35 AS

Profit & Loss Account

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<u>Operating Income</u>			
Operating income	2	0	0
<u>Operating Expenses</u>			
Crew-hire	9	6 691 895	0
Other operating expenses		13 032 752	0
Administration	6	3 428 005	307 431
<i>Total Operating Expenses</i>		<u>23 152 652</u>	<u>307 431</u>
<i>Operating result before depreciation</i>		<u>-23 152 652</u>	<u>-307 431</u>
Ordinary depreciation	4	7 447 386	0
<i>Operating Result</i>		<u>-30 600 038</u>	<u>-307 431</u>
<u>Financial Income and Expenses</u>			
Financial income	5	83 978	182 170
Foreign exchange gain/loss		-645 580	-904 999
Financial expenses	5	-7 644 599	-8 083 310
<i>Net Financial Items</i>		<u>-8 206 200</u>	<u>-8 806 139</u>
<i>Result before taxes</i>		<u>-38 806 239</u>	<u>-9 113 569</u>
Taxes	10	0	0
<i>Result for the year</i>		<u>-38 806 239</u>	<u>-9 113 569</u>



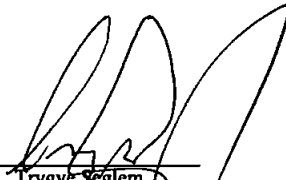
KNOT Shuttle Tankers 35 AS
Balance Sheet as of 31. December

<u>Assets</u>	<u>Note</u>	2020	2019
<u>Fixed assets</u>			
Vessel	4	993 421 769	0
Vessel under construction	4	0	383 534 005
<i>Total Fixed Assets</i>		<u>993 421 769</u>	<u>383 534 005</u>
<u>Current Assets</u>			
Inventories	13	6 232 773	0
Accounts receivable	12	2 253 119	1 057 078
Intercompany receivables		13 352 948	0
Group contribution		0	176 169 113
Bank deposits	3	19 650 734	19 928 351
<i>Total Current Assets</i>		<u>41 489 574</u>	<u>197 154 543</u>
TOTAL ASSETS		<u>1 034 911 344</u>	<u>580 688 548</u>

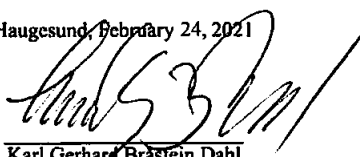



KNOT Shuttle Tankers 35 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2020	2019
<u>Equity</u>			
Share capital		30 000	30 000
Share premium		9 930	9 930
Other paid-in capital		160 293 341	167 099 580
<i>Total capital paid-in</i>		<u>160 333 271</u>	<u>167 139 510</u>
Other equity		0	0
<i>Total Shareholders' Equity</i>	7, 8	<u>160 333 271</u>	<u>167 139 510</u>
<u>Long Term Debt</u>			
Mortgage debt	11	861 899 783	235 132 747
Debt to group companies		0	176 169 113
<i>Total Long Term Debt</i>		<u>861 899 783</u>	<u>411 301 860</u>
<u>Current Liabilities</u>			
Trade creditors	12	6 168 685	0
Accrued interest		4 056 410	1 463 119
Intercompany liabilities		130 198	639 644
Other current liabilities	12	2 322 998	144 415
<i>Total Current Liabilities</i>		<u>12 678 290</u>	<u>2 247 178</u>
<i>Total liabilities</i>		<u>874 578 073</u>	<u>413 549 038</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>1 034 911 344</u>	<u>580 688 548</u>


Trygve Seglem
chairman of the board

Haugesund, February 24, 2021


Karl Gerhard Bråstein Dahl
member of the board


Takashi Domyo
member of the board



KNOT Shuttle Tankers 35 AS

CASHFLOW STATEMENT

	2020	2019
Total generated from operations 1)	-31 034 713	-9 113 569
Change in working capital	-10 350 650	-308 406
Net cashflow from operations	<u>-41 385 363</u>	<u>-9 421 975</u>
<u>Cashflow from investments</u>		
Invested in vessel under construction	-616 104 555	-381 640 923
Net cashflow from investments	<u>-616 104 555</u>	<u>-381 640 923</u>
<u>Cashflow from financing</u>		
Net drawn mortgage debt	625 212 302	234 762 948
Net group contribution	208 169 113	100 000
Loan from group companies, net change	-176 169 113	176 105 625
Net cashflow from financing	<u>657 212 302</u>	<u>410 968 573</u>
Net cashflow for the year	-277 617	19 905 676
+ Cash balance per 31.12.2018	19 928 351	22 675
= Cash Balance per 31.12.	<u>19 650 734</u>	<u>19 928 351</u>
1) Generated from operations:		
Result before tax	-38 806 239	-9 113 569
+Amortized debt issuance cost	324 140	0
+Ordinary depreciation	7 447 386	0
= Total generated from operations	<u>-31 034 713</u>	<u>-9 113 569</u>



KNOT Shuttle Tankers 35 AS

Notes to the Financial Statement 31.12.2020

1 Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Current Assets/Current Liabilities

Fixed assets are intended for long-term ownership and use. Other assets are classified as current assets. Short-term liabilities are due within one year or tied to the operation of the vessel. Other liabilities are classified as long-term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recorded at nominal value at the time of the entering.

Income

The income from the charter party is in USD, and income is recorded to the Profit & Loss account when actually earned.

Fixed Assets and Dry-Docking

Yard instalments paid on newbuildings are gradually recorded as fixed assets as the instalments are paid. All costs regarding construction supervision, construction financing (including building loan interest, arrangement fees, provision of guarantees), purchases beyond the yard contract regarding the individual contract are also registered.

Newbuilding contracts are valued in accordance with the lower value of capitalized value and fair value (including TC contracts entered by the newbuilding), if the loss is not considered as temporary.

The total cost of the vessel is capitalised at delivery and depreciated linearly over the expected life time.

Dry-docking expenses are capitalised and expensed over the period till the next dry-docking. This is in line with the depreciation plan of the vessel, and takes into account that the vessel is classified to operate for an additional period. Dry-docking is carried out every 5th year for vessels less than 15 years, and every 2.5 year for vessels more than 15 years. In the case of a newbuilding, a portion of the total cost of the vessel equal to the dry-docking cost is capitalised. Actual expenses related to repair and maintenance of the vessel are expensed when the work is executed.

The fixed assets are valued according to the lowest of the depreciated value and the market value unless the fall in value is assumed to be temporary.

Interest-bearing loan and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recorded in the profit

Gains and losses are recognized in the net profit and loss statement when the liabilities are devalued or depreciated, as well as through the amortization process.



Tax

The company have elected to be taxed based on the Norwegian tonnage tax regime. The tonnage tax regime have a list of requirements that companies have to fulfill to qualify for election of the regime, such as minimum 3% direct or indirect ownership in vessels that perform transportation only. The company are restricted to what assets, liabilities and business they can participate in, and the same will apply for underlying companies and/or partnerships.

In the tonnage tax regime the company pay a tonnage tax based on the weight of the owned vessels and taxable result is based on a taxable financial result. This means that the company's operating results is not taxable. The taxable financial result is based on the net financial items in the profit and loss account where only a portion of the foreign exchange gain is taxable and a portion of the foreign exchange loss and interest expenses is deductible. The portion is based on the amount of financial assets compared to total assets in the balance sheet. The company will also have to pay a calculated tax on the equity if the equity exceed 70% of total capital. Tonnage tax is classified as an operating expense in the profit and loss statement.

The calculated tax expenses in the profit and loss statement includes both the payable tax for the period in addition to the change in deferred tax. Deferred tax is calculated based on the temporary differences between the balance sheet values in the accounts and the tax values in addition to the tax loss carried forward at the end of the financial year. Tax increasing and decreasing changes in temporary differences that can be reversed in the same period are offset and the net value is taken into the accounts

Cash flow statement

The cash flow statement is presented using the indirect method of NRS. The liquidity balance is defined as the sum of cash, bank deposits and other short term liquid deposits.

2 Contracts

The company has secured employment of the vessel M/T Synnøve Knutsen from January 12, 2021, until April 4, 2021 +/- 30 days with the group partnership Luky KS.

The company has secured employment of the vessel M/T Synnøve Knutsen, with a 5 year fix time charter contract with charterers option to extend the contract with 3 x 2 + 9 x 1 year options to Equinor Shipping Inc. from December 2021.

KNOT Management AS operates as a manager on behalf of the company and the vessel in accordance with management agreement.



3 **Bank deposits**

The company doesn't have locked-up bank funds per 31.12

4 **Fixed Assets**

Vessel under construction	2020	2019
Book value 01.01.	383 534 005	60 165
Additions	617 335 150	383 473 840
Delivery new vessel	-1 000 869 155	0
Book value 31.12.	0	383 534 005

Vessel	2020
Historical value 1.1.	0
Accumulated depreciation 1.1.	0
Book value 1.1.	0
Delivered new building	971 769 127
Annual depreciation	6 477 386
Book value 31.12.	965 291 741

The economic life of the vessels is estimated to 25 years, and is depreciated accordingly.

Dry-docking	2020
Capitalised dry-docking	0
Accumulated depreciation dry-docking 1.1.	0
Capitalised dry-docking 1.1.	0
Delivered new building	29 100 028
Annual depreciation	970 000
Book value 31.12.	28 130 028
Total book value vessel 31.12.	993 421 769



5 Financial Income and -Expenses

	2020	2019
Financial Income:		
Interest income fra group/related parties	47 645	0
Other interest income	36 333	182 170
Total financial income	83 978	182 170
Financial expenses:		
Interest expenses to group/related parties	2 225 587	8 073 237
Interest expenses	4 598 730	0
Guarantee cost from related parties	777 251	0
Other financial expenses	43 031	10 073
Total financial expenses	7 644 599	8 083 310

6 Remuneration

The company have not paid salary or any other remuneration, nor given any loan or guarantees to any leading person or board members during the year.

Auditors remuneration (excl. VAT):	2020	2019
Audit	20 500	0
Tax advice	0	0
Other services besides audit	0	0
	20 500	0

7 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Additional paid-in capital	Other equity	Total equity
Equity 15.06.	30 000	9 930	167 099 580	0	167 139 510
Group contribution	0	0	32 000 000	0	32 000 000
Result for the year	0	0	-38 806 239	0	-38 806 239
Equity 31.12.	30 000	9 930	160 293 341	0	160 333 271

Share capital consist of 1 000 shares à NOK 30.

The company is a wholly owned subsidiary of Knutsen NYK Offshore Tankers AS. Financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.



8 Shares Owned by Board Members and Affiliates

Trygve Seglem controls TS Shipping Invest AS, which owns 50 % of the parent company Knutsen NYK Offshore Tankers AS .

9 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). KNOT Management AS manages the Company in accordance with a separate management agreement.

<u>Specification:</u>	<u>2020</u>	<u>2019</u>
Grants crew expenses	-287 745	0

10 Tax

The company is taxed based on the shipping tax regime. This means that companies are not taxed on the basis of its operating income. However it is calculated an annual tax of 22% on the company's net financial income. At the same time companies within the tonnage tax scheme will have to pay a tonnage tax based on the size of the company's operated vessels, which in 2020 amounted to NOK 34 650. Tonnage tax is classified as an operating expense.

Below is a specification of the temporary differences at the end of the financial year.

	<u>31.12.2020</u>	<u>Change</u>	<u>31.12.2019</u>
Loss carried forward	-15 192 429	7 654 293	-7 538 136
Basis for deferred tax (benefit)	-15 192 429	7 654 293	-7 538 136
Deferred tax (benefit)	0	0	0

Deferred tax assets related to losses carried forward are only recognized to the extent that there is convincing evidence that these will be utilized in the future.

Taxable result tonnage tax scheme:

	<u>2020</u>	<u>2019</u>
Net financial Items	-8 206 200	-8 806 139
Non-taxable currency gain/loss	552 711	597 616
Non-deductable interest	2 913 080	1 437 751
Deductable financial items	-2 913 883	-766 628
Taxable income before loss carried forward	-7 654 293	-7 537 400
Loss carried forward	-7 654 293	-7 537 400
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0



11 Mortgage Debt and Financial Instruments

31.12.2020			Rate as at	
	USD	Historical rate	31.12	NOK
USD-loan	94 768 644	9,1728	9,1728	869 290 496
Debt issuance cost				-7 390 713
				<u>861 899 783</u>
Current portion USD-loan	4 738 432		9,1728	43 464 523
Current portion debt issuance cost				-1 537 100
				<u>41 927 423</u>

31.12.2019			Rate as at	
	USD	Historical rate	31.12	NOK
USD-loan	26 818 525	9,0812	9,0812	243 544 645
Debt issuance cost				-8 411 898
				<u>235 132 747</u>

Estimated outstanding debt per year end 2025 is USD 71 million.

The USDNOK exchange rate at the year-end was 8,5375 (8,8176 in 2019).

The company has aimed to reduce the market risk by entering financial contracts. Hedge accounting has been applied for revenue in USD (cash flow hedge). Loans in USD are used as hedging instrument. The profit and loss impact of the hedging instrument (loan in USD) is presented together with the hedged risk. This implies that realized currency gain/losses on the loans are presented as an increase/reduction of operating income.

Future income flows from anticipated fixed contracts in USD exceed debt in USD. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate. Per 31.12.2020 the not recorded foreign exchange gain (i.e. off-balance) is NOK 60 million (gain of NOK 7 million per 31.12.2019)

Security for the loan is made through a first priority mortgage in the vessel, transportation of income and guarantees from Knutsen NYK Offshore Tankers AS.

Book value of mortgaged assets is NOK 993 million (NOK 384 in 2019)

The company has aimed to reduce the market risk by entering financial contracts. The company has entered long term freight contracts in USD, with the intention of having income, vessel investment and loans in the same currency in order to minimize the effects of exchange rate fluctuations. The company has also entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. The company has entered agreements on fixed rates on USD 49 million. Mark to market loss on interest swaps have not been taken into account with USD 3.8 million.



12 Balances with related parties

	<u>2020</u>	<u>2019</u>
<u>Accounts receivables</u>		
Knutsen O.A.S Shipping AS	88 139	0
KNOT Shuttle Tankers 25 AS	<u>1 264</u>	<u>0</u>
	89 403	0
<u>Trade creditors</u>		
Knutsen O.A.S Shipping AS	<u>1 999 884</u>	<u>0</u>
	1 999 884	0
<u>Other current liabilities</u>		
KNOT Shuttle Tankers 32 AS	<u>20 708</u>	<u>0</u>
	20 708	0

13 Inventories

Inventories refer to bunkers, lube oil and stores as per 31.12.



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KNOT Shuttle Tankers 35 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 35 AS, which comprise the balance sheet as at 31 December 2020, the profit & loss account and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Independent auditor's report - KNOT Shuttle Tankers 35 AS

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 24 February 2021
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The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Pennco Dokumentnøkkel: 672YF-TCSLJ-2WJZ-L2QBO-VNFKI-J5UJ

Independent auditor's report - KNOT Shuttle Tankers 35 AS

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MAGNUS HEGERTUN BIRKELAND

Partner

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