



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021
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Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	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:	25.02.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 29.03.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Operating income	2		
Freight income	2	110 891 823	
Gain from sale of vessel	4	13 504 358	
Other income		13 149 521	
Sum inntekter		137 545 702	
Kostnader			
Crew-hire	9	45 877 273	6 691 895
Ordinary depreciation	4	56 384 188	7 447 386
Other operating expenses		38 703 081	13 032 752
Administration	6	12 486 585	3 428 005
Sum kostnader		153 451 128	30 600 038
Driftsresultat		-15 905 425	-30 600 038
Finansinntekter og finanskostnader			
Financial income	5	16 495 490	83 978
Foreign exchange gain/loss		-2 943 841	-645 580
Sum finansinntekter		13 551 649	-561 602
Financial expenses	5	161 175 449	7 644 599
Sum finanskostnader		161 175 449	7 644 599
Netto finans		-147 623 801	-8 206 200
Ordinært resultat før skattekostnad		-163 529 226	-38 806 239
Taxes	10		
Ordinært resultat etter skattekostnad		-163 529 226	-38 806 239
Årsresultat		-163 529 226	-38 806 239
Årsresultat etter minoritetsinteresser		-163 529 226	-38 806 239
Totalresultat		-163 529 226	-38 806 239



Resultatregnskap

Beløp i: NOK	Note	2021	2020
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Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	4	938 429 673	993 421 769
Vessel under construction	4		
Sum varige driftsmidler		938 429 673	993 421 769
Finansielle anleggsmidler			
Investering i datterselskap	14	17 914 436	
Sum finansielle anleggsmidler		17 914 436	
Sum anleggsmidler		956 344 109	993 421 769
Omløpsmidler			
Varer			
Inventories	13	2 597 148	6 232 773
Sum varer		2 597 148	6 232 773
Fordringer			
Receivables	12	4 471 236	2 253 119
Konsernfordringer		84 632 465	13 352 948
Sum fordringer		89 103 701	15 606 067
Bankinnskudd, kontanter og lignende			
Bank deposits	3	62 449 698	19 650 734
Sum bankinnskudd, kontanter og lignende		62 449 698	19 650 734
Sum omløpsmidler		154 150 546	41 489 574
SUM EIENDELER		1 110 494 656	1 034 911 344

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Share capital		30 000	30 000
Overkurs		9 930	9 930
Annen innskutt egenkapital		278 777 325	160 293 341
Sum innskutt egenkapital		278 817 255	160 333 271
Other equity			
Sum egenkapital	7, 8	278 817 255	160 333 271
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10	8 448	
Sum avsetninger for forpliktelser		8 448	
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	11	819 972 359	861 899 783
Sum annen langsiktig gjeld		819 972 359	861 899 783
Sum langsiktig gjeld		819 980 807	861 899 783
Kortsiktig gjeld			
Leverandørgjeld	12	1 718 533	6 168 685
Tax payable	10	2 112	
Kortsiktig konserngjeld		5 035 036	130 198
Accrued interest		3 684 204	4 056 410
Other current liabilities	12	1 256 709	2 322 998
Sum kortsiktig gjeld		11 696 593	12 678 290
Sum gjeld		831 677 401	874 578 073
SUM EGENKAPITAL OG GJELD		1 110 494 656	1 034 911 344



KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 35 AS

Annual Report 2021



M/T “ Synnøve Knutsen ”



Knutsen
Group





KNOT SHUTTLE TANKERS 35 AS

REPORT OF THE BOARD OF DIRECTORS 2021

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

KNOT Shuttle Tankers 35 AS merged in the group companies Knutsen Offshore Tankers 2 AS, Knutsen Shuttle Tankers 2 AS and KNOT Shuttle Tankers 28 LP AS in 2021, all mergers made with simplified rules internal in the group and on continued values in accounting and tax accounting with effect from 1 January 2021. The company is also in process of merging in the subsidiary KNOT Shuttle Tankers 28 GP AS on the same basis and with expected effectuation in 2022 with effect from 1 January 2022.

Knutsen Offshore Tankers 2 AS was a pure holding company for 50% stake in Knutsen Bøyelaster VI KS under deletion (deleted in 2021) and Knutsen Shuttle Tankers 2 AS. KNOT Shuttle Tankers 28 LP AS was a pure holding company for 90% stake in Luky KS and KNOT Shuttle Tankers 28 GP AS. KNOT Shuttle Tankers 28 GP AS is a pure holding company and general partner with 10% stake in Luky KS and are at the end of 2021 100% owned by the company.

Knutsen Shuttle Tankers 2 AS owned the 1998 built shuttle tankers MT Loch Rannoch that was operated in Knutsen Shuttle Tankers Pool AS until 2nd quarter 2021 and sold for recycling in 3rd quarter 2021.

Luky KS owned two 1999 built shuttle tankers, MT Sallie Knutsen and MT Karen Knutsen. MT Sallie Knutsen was chartered out to Petrobras for operating in Brazil until January 2021. In January 2021, the partnership chartered MT Synnøve Knutsen from the company to replace MT Sallie Knutsen on the charter to Petrobras. MT Synnøve Knutsen has been chartered out from the partnership most of 2021. MT Synnøve Knutsen has been redelivered in January 2022 to the partnership and further back to the company. MT Sallie Knutsen and MT Karen Knutsen has been sold in 3rd and 4th quarter of 2021 after both vessels were idle most of the year. Luky KS has started the liquidation process and will be deleted when all outstanding issues have been solved later in 2022.

MT Synnøve Knutsen will be chartered to Equinor Shipping Inc., a Equinor ASA company, from February 2022 on a five-year time charter agreement with three options of two years and 9 options of one year in charters option.

Result for the year

The operating result for the combined and merged business of KNOT Shuttle Tankers 35 AS was minus NOK 15 905 425 in 2021 compared to minus NOK 30 600 038 in 2020. After net



financial loss of NOK 147 623 801 in 2021, a loss of NOK 8 206 200 in 2020, the loss of the year was NOK 163 529 226 in 2021 compared to a loss of NOK 38 806 239 in 2020.

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

Total cash flow for operational activities was minus NOK 61 827 491, minus NOK 41 385 363 in 2020. The liquidity position was NOK 62 449 698 as per 31.12.2021 compared to NOK 19 650 734 as per 31.12.2020. The company's ability to finance its investments is good.

The company's short-term debts per 31.12.2021 was 1.4 % of total debt (1.4 % in 2020).

Total capital was by the end of the year NOK 1 110 494 656, NOK 1 034 911 344 at the end of 2020. The equity-share as of 31.12.2021 was 25 % compared to 15 % 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. MT Synnøve Knutsen is 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. There have not been taken out any board of directors liability insurance.



Future prospects

M/T Synnøve Knutsen will from February 2022 be operated on a long-term charter with Equinor Shipping Inc. where the fixed period ends in the 1st quarter of 2027. 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 2021, 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 2022 to be a satisfactory year for the vessel and the company.



Thyge Seglum
Chairman of the Board

Haugesund, February 24, 2022



Takashi Domyo
Member of the Board



Karl Gerhard Bråstem Dahl
Member of the Board



KNOT Shuttle Tankers 35 AS

Profit & Loss Account

	<u>Note</u>	2021	2020
<u>Operating Income</u>			
Freight income	2	110 891 823	0
Gain from sale of vessel	4	13 504 358	0
Other income		13 149 521	0
<i>Total Operating income</i>		<u>137 545 702</u>	<u>0</u>
<u>Operating Expenses</u>			
Crew-hire	9	45 877 273	6 691 895
Other operating expenses		38 703 081	13 032 752
Administration	6	12 486 585	3 428 005
<i>Total Operating Expenses</i>		<u>97 066 939</u>	<u>23 152 652</u>
<i>Operating result before depreciation</i>		<u>40 478 763</u>	<u>-23 152 652</u>
Ordinary depreciation	4	56 384 188	7 447 386
<i>Operating Result</i>		<u>-15 905 425</u>	<u>-30 600 038</u>
<u>Financial Income and Expenses</u>			
Financial income	5	16 495 490	83 978
Foreign exchange gain/loss		-2 943 841	-645 580
Financial expenses	5	-161 175 449	-7 644 599
<i>Net Financial Items</i>		<u>-147 623 801</u>	<u>-8 206 200</u>
<i>Result before taxes</i>		<u>-163 529 226</u>	<u>-38 806 239</u>
Taxes	10	0	0
<i>Result for the year</i>		<u>-163 529 226</u>	<u>-38 806 239</u>




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

<u>Assets</u>	<u>Note</u>	2021	2020
<u>Fixed assets</u>			
Vessel	4	938 429 673	993 421 769
Investments in subsidiaries	14	17 914 436	0
<i>Total Fixed Assets</i>		<u>956 344 109</u>	<u>993 421 769</u>
<u>Current Assets</u>			
Inventories	13	2 597 148	6 232 773
Receivables	12	4 471 236	2 253 119
Intercompany receivables		84 632 465	13 352 948
Bank deposits	3	62 449 698	19 650 734
<i>Total Current Assets</i>		<u>154 150 546</u>	<u>41 489 574</u>
<i>TOTAL ASSETS</i>		<u>1 110 494 656</u>	<u>1 034 911 344</u>



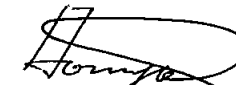
KNOT Shuttle Tankers 35 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2021	2020
Equity			
Share capital		30 000	30 000
Share premium		9 930	9 930
Other paid-in capital		278 777 325	160 293 341
<i>Total capital paid-in</i>		<u>278 817 255</u>	<u>160 333 271</u>
Other equity		0	0
<i>Total Shareholders' Equity</i>	7, 8	<u>278 817 255</u>	<u>160 333 271</u>
Long Term Debt			
Deferred tax	10	8 448	0
Mortgage debt	11	819 972 359	861 899 783
<i>Total Long Term Debt</i>		<u>819 980 807</u>	<u>861 899 783</u>
Current Liabilities			
Account payables	12	1 718 533	6 168 685
Accrued interest		3 684 204	4 056 410
Tax payable	10	2 112	0
Intercompany liabilities		5 035 036	130 198
Other current liabilities	12	1 256 709	2 322 998
<i>Total Current Liabilities</i>		<u>11 696 593</u>	<u>12 678 290</u>
<i>Total liabilities</i>		<u>831 677 401</u>	<u>874 578 073</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1 110 494 656</u>	<u>1 034 911 344</u>


Trygve Seglem
chairman of the board

Haugesund, February 24, 2022


Karl Gerhard Bråstein Dahl
member of the board


Takashi Domyo
member of the board



KNOT Shuttle Tankers 35 AS

CASHFLOW STATEMENT

	2021	2020
Total generated from operations 1)	9 020 627	-31 034 713
Paid tax	-2 300	0
Change in working capital	-70 845 818	-10 350 650
Net cashflow from operations	-61 827 491	-41 385 363
<u>Cashflow from investments</u>		
Sale of vessel	63 927 665	0
Invested in vessel	11 606 548	-616 104 555
Dividend from investment in shares and units	155 525 834	0
Net cashflow from investments	231 060 047	-616 104 555
<u>Cashflow from financing</u>		
Proceeds from long term-debt	0	625 212 302
Repayment of long-term debt	-40 533 969	0
Loan from group companies, net change	0	-176 169 113
Liquidity merged into the company	80 580 877	0
Group contribution received	0	208 169 113
Paid-out dividend	-166 480 500	0
Net cashflow from financing	-126 433 592	657 212 302
Net cashflow for the year	42 798 964	-277 617
+ Cash balance per 31.12.	19 650 734	19 928 351
= Cash Balance per 31.12.	62 449 698	19 650 734

1) Generated from operations:

Result before tax	-163 529 226	-38 806 239
+Realized profit/loss on foreign exchange mortgage debt	-2 930 554	0
-Gain from sale of vessel	-13 504 358	0
+Ordinary depreciation	56 384 188	7 447 386
+Amortized debt issuance cost	1 537 100	324 140
+Loss on liquidating limited partnerships	120 892	0
+Write-down investments subsidiaries	130 942 585	0
= Total generated from operations	9 020 627	-31 034 713



KNOT Shuttle Tankers 35 AS

Notes to the Financial Statement 31.12.2021

1 Accounting Principles

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

Income

The income from charter party is in USD, and is recorded in profit and loss on a straight line basis over the lease term, net of hedging impact.

Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated net sales price at the end of estimated economic life. Normal economic life of shuttle tankers is estimated to 23 years from delivery as newbuilding. We use extended life or reduced life if there are commercial or technical indications that the 23 year profile for that specific entity is not correct, i.e. fixed charter contracts above 23 year age, commercial restrictions or technical conditions or -requirements. Equipment or part of the vessels with a material cost or specific use that have another estimated life is evaluated separately.

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.



Transactions in Foreign Currency

Income and expenditure in foreign currency are converted with the exchange rate at the time of the

All current assets and current liabilities in foreign currency are registered at the rate of exchange as per 31.12. Realised foreign exchange gain and loss are registered as financial items.

The debt is valued at the historical rate, to the extent that the future net nominal income flow exceed the borrowed amount. To the extent that long-term debt exceeds the net nominal income flow, the unrealised foreign exchange loss on the exceeding amount is recorded.

Realized and unrealized profit and loss on foreign exchange are recorded as financial income / expenses.

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 and loss over the period of the interest-bearing liabilities. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

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.

Financial Instruments

The treatment of foreign exchange and interest rate instruments depends on the intention behind the contracts. If the intention of the contracts is to hedge the company's exposure against fluctuations in interest rates and foreign exchange rates, then the income and expenses related to the hedging and the corresponding items in the balance sheet are classified in the same manner.

Inventory

Inventories are evaluated to market value as the lower of cost and market value is considered as impractical.



Tax

The company have elected to be taxed based on the Norwegian tonnage tax regime. 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.

Related party transactions

The Company has undertaken several agreements and transactions with related parties in the Knutsen NYK Offshore Tankers Group. The level of fees are based on market terms and are in accordance with the arm's length principle. The company have no own employees and have outsourced management and crewing to related parties.

2 Contracts

The company has secured employment of the vessel M/T Synnøve Knutsen through the subsidiary Luky KS to Petrobras for most of 2021 until redelivery in the end of January 2022. The former holding company of Luky KS, KNOT Shuttle Tankers 28 LP AS, was merged into KNOT Shuttle Tankers 35 AS in 2021.

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 February 2022.

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

MT Synnøve Knutsen	2021	2020
Historical value 1.1.	971 769 127	0
Accumulated depreciation 1.1.	6 477 386	0
Book value 1.1.	965 291 741	0
Delivered new building	0	971 769 127
Additions/Disposals	-11 606 548	0
Annual depreciation	37 565 543	6 477 386
Book value 31.12.	916 119 650	965 291 741

The economic life of the vessels is estimated to 23 years, and is depreciated accordingly.

Dry-docking MT Synnøve Knutsen	2021	2020
Capitalised dry-docking	29 100 028	0
Accumulated depreciation dry-docking 1.1.	970 000	0
Capitalised dry-docking 1.1.	28 130 028	0
Delivered new building	0	29 100 028
Annual depreciation	5 820 005	970 000
Book value 31.12.	22 310 023	28 130 028

Total book value vessel 31.12.	938 429 673	993 421 769
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MT Loch Rannoch	2021	2020
Historical value 1.1.	408 755 450	408 755 450
Accumulated depreciation 1.1.	346 644 282	323 352 594
Book value 1.1.	62 111 168	85 402 856
Disposals	-50 423 307	0
Annual depreciation	11 687 861	23 291 688
Book value 31.12.	0	62 111 168

Dry-docking MT Loch Rannoch	2021	2020
Capitalised dry-docking	19 634 725	19 634 725
Accumulated depreciation dry-docking 1.1.	18 323 946	10 459 269
Capitalised dry-docking 1.1.	1 310 779	9 175 456
Annual depreciation	1 310 779	7 864 677
Book value 31.12.	0	1 310 779

The company changed in third quarter 2021 the useful life estimate for MT Synnøve Knutsen and MT Loch Rannoch from 25 years to 23 years due to prevailing longer-term market trends. The company updated at the same time the estimated net sales price at the end of estimated life from NOK 0 at 25 years to estimated net sales price at end of the new estimated end of life.

The company have during 2021 merged with Knutsen Shuttle Tankers 2 AS which owned the vessel M/T Loch Rannoch. This vessel was sold during the year. Gain from sale of this vessel in Knutsen Shuttle Tankers 2 AS was NOK 13 504 358.



5 Financial Income and -Expenses

	<u>2021</u>	<u>2020</u>
Financial Income:		
Interest income from group	1 684 307	47 645
Dividend from subsidiaries	14 800 000	0
Other dividend	10 904	0
Other interest income	278	36 333
Total financial income	<u>16 495 490</u>	<u>83 978</u>
Financial expenses:		
Loss on long term investment group	120 892	0
Write-down subsidiaries	130 942 585	0
Interest expenses to group/related parties	131 692	2 225 587
Interest expenses	25 779 583	4 598 730
Guarantee cost from related parties	3 942 579	777 251
Other financial expenses	258 119	43 031
Total financial expenses	<u>161 175 449</u>	<u>7 644 599</u>

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):	<u>2021</u>	<u>2020</u>
Audit	183 803	20 500
Tax advice	0	0
Other services besides audit	0	0
	<u>183 803</u>	<u>20 500</u>

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	160 293 341	0	160 333 271
Merger	0	0	448 493 710	0	448 493 710
Dividend	0	0	-166 480 500	0	-166 480 500
Result for the year	0	0	-163 529 226	0	-163 529 226
Equity 31.12.	<u>30 000</u>	<u>9 930</u>	<u>278 777 324</u>	<u>0</u>	<u>278 817 255</u>

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.



KNOT Shuttle Tankers 35 AS have been merged with Knutsen Offshore Tankers 2 AS, Knutsen Shuttle Tankers 2 AS and KNOT Shuttle Tankers 28 LP AS with KNOT Shuttle Tankers 35 AS as surviving company. All the mergers are simplified mergers within the group and are registered in financial- and tax accounts on continuity basis with effect from 1 January 2021.

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>2021</u>	<u>2020</u>
Grants crew expenses	-1 253 685	-287 745

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 amounted to NOK 473 780 (NOK 34 650 last year). Tonnage tax is classified as an operating expense.

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

	<u>31.12.2021</u>	<u>Change</u>	<u>01.01.2021</u>
Gain & loss account entrance tax	38 398	-9 600	47 998
Loss carried forward	-109 856 662	10 314 420	-99 542 242
Basis for deferred tax (benefit)	-109 818 264	10 304 820	-99 494 244
Deferred tax (benefit) booked	8 448	-2 112	10 560

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:

	2021	2020
Net financial Items	-147 623 801	-8 206 200
Taxable result from investment in partnerships	3 201 085	0
Non-taxable currency gain/loss	2 941 814	552 711
Non-deductible interest	14 913 581	2 913 080
Deductible financial items	0	-2 913 883
Other non-deductible items	116 252 900	0
Taxable income before loss carried forward	-10 314 420	-7 654 293
Loss carried forward	-10 314 420	-7 654 293
Taxable income	<u>0</u>	<u>0</u>
Tax payable	2 112	0
Change in deferred tax	-2 112	0
Tax expense	<u>0</u>	<u>0</u>
Tax payable from gain and loss account entrance tax	<u>2 112</u>	<u>0</u>

11 Mortgage Debt and Financial Instruments

31-12-21

	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	90 030 212	9,1728	9,1728	825 825 972
Debt issuance cost				<u>-5 853 613</u>
				819 972 359
Current portion USD-loan	4 738 432		9,1728	43 464 523
Current portion debt issuance cost				<u>-1 537 100</u>
				41 927 423

31-12-20

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

Estimated outstanding debt per year end 2026 is USD 66 million.

The USDNOK exchange rate at the year-end was 8,8363 (8,5375 in 2020).



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 31.12.2021 the not recorded foreign exchange gain (i.e. off-balance) is NOK 30 million (gain of NOK 60 million per 31.12.2020)

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 938 million (NOK 993 million in 2020)

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 47 million. Mark to market loss on interest swaps have not been taken into account with USD 1.6 million (loss of USD 3.8 million last year).

12 Balances with related parties

	<u>2021</u>	<u>2020</u>
<u>Recivables</u>		
Knutsen O.A.S Crewing AS	0	88 139
Knutsen O.A.S Shipping AS	7 531	0
Knutsen Shuttle Tankers 14 AS	1 264	0
Knutsen Shuttle Tankers 19 AS	922	0
KNOT Shuttle Tankers 17 AS	1 306	0
KNOT Shuttle Tankers 34 AS	18 769	0
KNOT Shuttle Tankers 25 AS	1 264	1 264
	<u>31 056</u>	<u>89 403</u>
<u>Accounts payables</u>		
Knutsen OAS Management AS	5 640	0
Knutsen OAS Crewing AS	4 031	0
Knutsen O.A.S Shipping AS	569 952	1 999 884
	<u>579 623</u>	<u>1 999 884</u>
<u>Other current liabilities</u>		
KNOT Shuttle Tankers 32 AS	20 719	20 708
	<u>20 719</u>	<u>20 708</u>

13 Inventories

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



14 Shares in subsidiaries

<u>Investments</u>	<u>Owner- and voting share</u>	<u>Equity 31.12.</u>	<u>Last years result</u>	<u>Book value</u>
Luky KS	90%	19 771 596	-70 452 960	17 794 436
KNOT Shuttle Tankers 28 GP AS	100%	3 790 986	-14 687 892	120 000
Net book value subsidiaries				<hr/> 17 914 436



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders Meeting of KNOT Shuttle Tankers 35 AS

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 35 AS (the Company), which comprise the balance sheet as at 31 December 2021, the profit & loss accounts 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 comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on 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, 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 (the board of directors) 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 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 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 the board of directors 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.

Oslo, 24 February 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Independent auditor's report - KNOT Shuttle Tankers 35 AS 2021

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Magnus Hegertun Birkeland

Statsautorisert revisor

På vegne av: Ernst & Young AS

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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

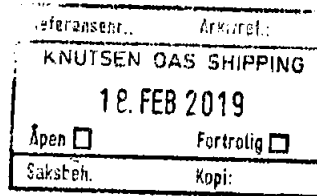
Din/Deres referanse
Petter M Opsal

Telefon
800 80 000

Org.nr
974761076

Vår referanse
2019/5238778

Postadresse
Postboks 9200 Grønland
0134 OSLO



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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