



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 911 778 165
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT FSO 1 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

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: 30.03.2022

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, 01.04.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Operating Income	2	532 837 220	529 352 829
Sum inntekter		532 837 220	529 352 829
Kostnader			
Crew-hire		83 764 802	71 815 410
Ordinary depreciation	4	274 334 275	278 104 301
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4		
Other operating expenses		66 810 796	64 703 898
Administration	7	7 018 790	7 546 216
Sum kostnader		431 928 663	422 169 825
Driftsresultat		100 908 557	107 183 004
Finansinntekter og finanskostnader			
Financial income	5	311 504	146 628
Foreign exchange gain/loss		-8 699 818	5 053 426
Sum finansinntekter		-8 388 314	5 200 054
Financial expenses	5	56 604 164	80 423 722
Sum finanskostnader		56 604 164	80 423 722
Netto finans		-64 992 477	-75 223 669
Ordinært resultat før skattekostnad		35 916 080	31 959 336
Taxes	11	7 844 193	7 035 062
Ordinært resultat etter skattekostnad		28 071 887	24 924 274
Årsresultat		28 071 887	24 924 274
Årsresultat etter minoritetsinteresser		28 071 887	24 924 274
Totalresultat		28 071 887	24 924 274



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	11	272 592 173	335 227 675
Sum immaterielle eiendeler		272 592 173	335 227 675
Varige driftsmidler			
Vessel	4	1 938 355 958	2 212 690 233
Dry-docking	4		
Vessel under construction	4		
Construction contracts	4		
Sum varige driftsmidler		1 938 355 958	2 212 690 233
Finansielle anleggsmidler			
Lån til foretak i samme konsern	6		
Sum anleggsmidler		2 210 948 131	2 547 917 908
Omløpsmidler			
Varer			
Inventories	12	2 135 831	1 655 583
Sum varer		2 135 831	1 655 583
Fordringer			
Receivables	6	3 102 464	7 971 260
Other short-term receivables	6		
Konsernfordringer	9	249 053 448	363
Sum fordringer		252 155 911	7 971 623
Bankinnskudd, kontanter og lignende			
Bank deposits	3	322 746 425	379 374 586
Sum bankinnskudd, kontanter og lignende		322 746 425	379 374 586
Sum omløpsmidler		577 038 167	389 001 792
SUM EIENDELER		2 787 986 298	2 936 919 700



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	9, 10	100 000	100 000
Overkurs	9		
Annen innskutt egenkapital	9	1 359 422 692	1 165 162 597
Sum innskutt egenkapital		1 359 522 692	1 165 262 597
Opptjent egenkapital			
Other equity	9	66 740 806	38 668 920
Udekket tap	9		
Sum opptjent egenkapital		66 740 806	38 668 920
Sum egenkapital		1 426 263 499	1 203 931 517
Gjeld			
Langsiktig gjeld			
Deferred income		7 414 474	8 961 842
Sum avsetninger for forpliktelser		7 414 474	8 961 842
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8, 11	1 320 544 761	1 573 419 295
Langsiktig konserngjeld		1 057 074	89 160 818
Other non-current liabilities	8		
Sum annen langsiktig gjeld		1 321 601 835	1 662 580 112
Sum langsiktig gjeld		1 329 016 309	1 671 541 955
Kortsiktig gjeld			
Leverandørgjeld	6	10 753 712	12 596 043
Kortsiktig konserngjeld		5 095 923	24 275 789
Accrued interest	6	14 549 257	17 340 965
Other current liabilities		2 307 598	7 233 431
Sum kortsiktig gjeld		32 706 490	61 446 228
Sum gjeld		1 361 722 799	1 732 988 183



Balanse

Beløp i: NOK	Note	2021	2020
SUM EGENKAPITAL OG GJELD		2 787 986 298	2 936 919 700



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 28.06.2013	Var dato 05.08.2013
Telefon 22078139	Deres referanse Geir Tore Henriksen	Var referanse 2009/867030

TS SHIPPING INVEST AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsregnskap på engelsk språk

Det vises til deres brev av 28. juni 2013 der det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk på vegne av;

KNOT Shuttle Tankers 12 AS	org. nr. 999 328 024
KNOT FSO AS	org. nr. 911 772 531
KNOT FSO 1 AS	org. nr. 911 778 165
KNOT FSO 2 AS	org. nr. 911 782 189

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

De overnevnte selskapene er eid 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. som er hjemmehørende i Nederland. TS Shipping Invest AS med en rekke datterselskaper har i tidligere vedtak fått dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk. Selskapene driver virksomhet innen shippingbransjen som er en global bransje hvor engelsk primært benyttes ved kommunikasjon med omverden. Selskapene benytter også engelsk som arbeidsspråk internt. Brukerne av regnskapene er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften. Styrene i selskapene har medlemmer som ikke er norskspråklige. De norske versjonene av årsregnskapet utarbeides kun for å tilfredsstille regnskapsloven.

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

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
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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 særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapene er 50 % eid av et selskap som er innvilget dispensasjon og 50 % av et nederlandsk selskap. Selskapene opererer i en global bransje hvor engelsk primært benyttes. Arbeidsspråk er også engelsk. Videre er det vektlagt at styrene i selskapene har medlemmer som ikke er norskspråklige.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Inger Johanne Stolt-Nielsen
underdirektør
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland



KNOT Knutsen
NYK Offshore
Tankers

KNOT FSO 1 AS

Annual Report 2021



M/T “ Hanne Knutsen ”



**Knutsen
Group**





KNOT FSO 1 AS

REPORT OF THE BOARD OF DIRECTORS 2021

KNOT FSO 1 AS (the Company) charter M/T Hanne Knutsen on a lease, operation and maintenance agreement as a FSO to Equinor Energy AS (“Equinor” or the “Charterer”) for the Martin Linge oil and gas field. There are no employees in the Company, and the daily operations are managed by KNOT Management AS in Haugesund in accordance with separate agreements.

The Company’s activities

The Company’s FSO M/T Hanne Knutsen started on a 95 months charter with further four 12-months options in Charterer’s option 16 November 2018. The FSO have in 2020 been connected to the power cable and the FSO started to receive petrochemicals from the production unit at the field in the middle of 2021. The Martin Linge field was officially opened 27 January 2022.

KNOT Management AS is manager for the Company and the FSO.

Result for the year

The total operating income ended on NOK 532 837 220 for the year, up from NOK 529 352 829 in 2020. The operating result for KNOT FSO 1 AS was NOK 100 908 557, compared to NOK 107 183 004 last year. The company’s net financial expenses was NOK 64 992 477, compared to net expenses of NOK 75 223 669 the year before. The result for the year shows a profit of NOK 28 071 887, compared to NOK 24 924 274 in 2020.

Total cash flow from operational activities in the Company was NOK 297 148 814. The liquidity position was NOK 322 746 425 as per 31.12.2021 where of NOK 228 190 765 is deposited on escrow accounts as security for the senior facility agreement and certain guarantees.

The Company’s short-term debt per 31.12.2021 was 2.4 % of total debt. Equity was by the end of the year NOK 1 426 263 499, the equity-share as of 31.12.2021 was 51 %.

The Company’s income is denominated in NOK, although the Company is partly naturally hedged through the NOK 1 062 500 000 tranche of the credit facility the Company is exposed to foreign exchange risks as part of the operation expenses are denominated in USD, EUR and GBP and in addition to the USD tranche of the credit facility.

The Company is exposed to changes in interest rates levels as it has long term debt carrying floating interest rate. The Company manages its interest rate exposure through interest rates swap agreements covering parts of the Company’s interest rate exposure.



The financial accounts are made on the assumption of a going concern and the Board of Directors confirms the assumption of going concern. The Board of 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.

Environment, safety and quality control

Shipping is being subjected to ever-stricter environment and safety requirements, and the Company, the group and manager KNOT Management AS have joint objectives concerning high quality of the operation of the vessels.

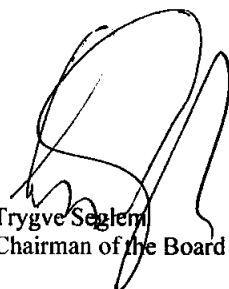
The Company is not aware of any significant pollution to the external environment, and the Board of Directors considers the working conditions on-board the vessel as satisfactory. The vessel is certified in accordance with both ISM code and the ISPS code.

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

KNOT FSO 1 AS has agreed contract for lease, operation and maintenance of a FSO with Equinor for the Martin Linge field. The Board of Directors is confident with the operation of the FSO in 2021. Based on the operation in 2021 and the long-term contract with Equinor the Board of Directors of KNOT FSO 1 AS expects 2022 to be a satisfactory year for the vessel and the Company.

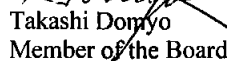
Haugesund, March 29, 2022



Trygve Seglem
Chairman of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



Takashi Domyo
Member of the Board



KNOT FSO 1 AS
Profit & Loss Account

	Note	2021	2020
<u>Operating Income</u>			
Operating Income	2	532 837 220	529 352 829
<i>Total Operating income</i>		<u>532 837 220</u>	<u>529 352 829</u>
<u>Operating Expenses</u>			
Crew-hire		83 764 802	71 815 410
Other operating expenses		66 810 796	64 703 898
Administration	7	7 018 790	7 546 216
<i>Total Operating Expenses</i>		<u>157 594 388</u>	<u>144 065 524</u>
<i>Operating result before depreciation</i>		<u>375 242 832</u>	<u>385 287 305</u>
Ordinary depreciation	4	274 334 275	278 104 301
<i>Total depreciation</i>		<u>274 334 275</u>	<u>278 104 301</u>
<i>Operating Result</i>		<u>100 908 557</u>	<u>107 183 004</u>
<u>Financial Income and Expenses</u>			
Financial income	5	311 504	146 628
Foreign exchange gain/loss		-8 699 818	5 053 426
Financial expenses	5	-56 604 164	-80 423 722
<i>Net Financial Items</i>		<u>-64 992 477</u>	<u>-75 223 669</u>
<i>Result before taxes</i>		<u>35 916 080</u>	<u>31 959 336</u>
Taxes	11	7 844 193	7 035 062
<i>Result for the year</i>		<u>28 071 887</u>	<u>24 924 274</u>



KNOT FSO 1 AS

Balance Sheet as of 31. December


<u>Assets</u>	Note	2021	2020
<u>Fixed assets</u>			
Deferred tax assets	11	272 592 173	335 227 675
Vessel	4	1 938 355 958	2 212 690 233
<i>Total Fixed Assets</i>		<u>2 210 948 131</u>	<u>2 547 917 908</u>
<u>Current Assets</u>			
Inventories	12	2 135 831	1 655 583
Receivables	6	3 102 464	7 971 260
Intercompany receivables		2 044	363
Group contributions	9	249 051 404	0
Bank deposits	3	322 746 425	379 374 586
<i>Total Current Assets</i>		<u>577 038 167</u>	<u>389 001 792</u>
<i>TOTAL ASSETS</i>		<u>2 787 986 298</u>	<u>2 936 919 700</u>



KNOT FSO 1 AS

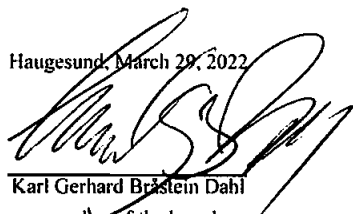
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	Note	2021	2020
Equity			
Share capital	9, 10	100 000	100 000
Other paid-in capital	9	1 359 422 692	1 165 162 597
<i>Total capital paid-in</i>		<u>1 359 522 692</u>	<u>1 165 262 597</u>
Other equity	9	66 740 806	38 668 920
<i>Total Shareholders' Equity</i>		<u>1 426 263 499</u>	<u>1 203 931 517</u>
Long Term Liabilities			
Deferred income		7 414 474	8 961 842
Mortgage debt	8, 11	1 320 544 761	1 573 419 295
Debt to group companies		1 057 074	89 160 818
<i>Total Long Term Liabilities</i>		<u>1 329 016 309</u>	<u>1 671 541 955</u>
Current Liabilities			
Accounts payable	6	10 753 712	12 596 043
Accrued interest	6	14 549 257	17 340 965
Intercompany liabilities		5 095 923	24 275 789
Other current liabilities		2 307 598	7 233 431
<i>Total Current Liabilities</i>		<u>32 706 490</u>	<u>61 446 228</u>
<i>Total liabilities</i>		<u>1 361 722 799</u>	<u>1 732 988 183</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>2 787 986 298</u>	<u>2 936 919 700</u>

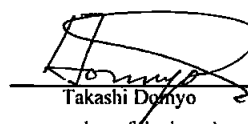


Trygve Seglem
chairman of the board

Haugesund, March 29, 2022



Karl Gerhard Bråstein Dahl
member of the board



Takashi Dohyo
member of the board



KNOT FSO 1 AS

CASHFLOW STATEMENT

	2021	2020
Total generated from operations 1)	321 501 684	310 811 905
Change in working capital	<u>-24 352 870</u>	<u>-466 134</u>
Net cashflow from operations	<u>297 148 814</u>	<u>310 345 771</u>
Invested in vessel	<u>0</u>	<u>28 808 909</u>
Net cashflow from investments	<u>0</u>	<u>28 808 909</u>
Mortgage debt repayment	-265 673 231	-212 414 560
Mortgage debt new proceeds	0	383 404 000
Mortgage debt related parties	0	-427 072 398
Debt to group companies, net	-88 103 744	2 814 753
Net cashflow from financing	<u>-353 776 975</u>	<u>-253 268 205</u>
Net cashflow for the year	-56 628 161	85 886 474
+ Cash balance per 01.01.	<u>379 374 586</u>	<u>293 488 111</u>
= Cash Balance per 31.12.	<u>322 746 425</u>	<u>379 374 586</u>
As of locked-up bank funds	228 190 765	228 822 868

1) Generated from operations:

Result before tax	35 916 080	31 959 336
+Ordinary depreciation	274 334 275	278 104 301
+Deferred income	-1 547 368	-1 547 369
+Unrealized agio mortgage debt	9 828 615	-74 812 615
+Unrealized/realized disagio debt to related parties	0	75 805 668
+Amortization loan expenses	<u>2 970 081</u>	<u>1 302 584</u>
= Total generated from operations	<u>321 501 684</u>	<u>310 811 905</u>



KNOT FSO 1 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.

Fixed Assets and Dry-Docking

Conversion cost are gradually recorded as fixed assets as they are paid. All costs regarding conversion supervision, conversion financing (including building loan interest and provision of guarantees), purchases beyond the yard contract regarding the individual contract are also registered.

The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated residual value at disposal over the expected useful life time. The assets residual value and useful life are evaluated annually.

Dry docking for FSO is depreciated linear over the firm period of the TC contract which is best estimate until next docking.

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.

Income

Income from charter parties is recorded to the Profit & Loss account when actually earned.

Inventories

Inventories are valued according to the net realisable value principle.

Transactions in Foreign Currency

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

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.



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 agreement. 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.

Tax

The calculated tax costs in the accounting includes both the payable tax for the period in addition to the change in deferred tax. Deferred tax is calculated using 22 % as the basis for taxation on the temporary differences between the accounting and the taxable values in addition to the loss carried forward at the end of the financial year. Tax increasing and decreasing changes in temporary differences which are reversed or can be reversed in the same period are offset and the net value is booked.

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

M/T Hanne Knutsen has after completed conversion to FSO started up mid November 2018 on a 95 months fixed plus four 12 months options in charterer's choice as FSO at the Martin Linge field for Equinor Energy AS as operator for the license.

KNOT Management AS operate the company and the vessel according to separate management agreement.

3 Bank deposits

As of 31.12.2021 the Company had deposited NOK 120 000 014 on a debt service reserve account, NOK 81 412 070 and USD US\$ 3 030 531 on pledged retention accounts as security for the "senior secured financing agreement".

4 Fixed Assets

	<u>2021</u>	<u>2020</u>
<u>Vessel</u>		
Historical value 1.1.	4 667 492 098	4 696 301 006
Acc. Depreciation/Write downs 1.1.	2 492 841 895	2 221 258 742
Book Value 1.1.	2 174 650 202	2 475 042 264
Additions/disposals	0	-28 808 909
Ordinary annual depreciation	267 813 127	271 583 153
Book value 31.12.	1 906 837 075	2 174 650 202

The company have received 28 600 000 NOK from Nox-fondet which is booked as a reduction in capitalized amount on the vessel in 2020.



	2021	2020
Dry docking		
Historical value 1.1.	51 902 354	51 902 354
Acc. Depreciaton 1.1.	13 862 324	7 341 176
Book Value 1.1.	38 040 030	44 561 178
Ordinary annual depreciation	6 521 148	6 521 148
Book value 31.12.	31 518 882	38 040 030
Total book value 31.12. fixed assets	1 938 355 958	2 212 690 233

5 **Financial Income and -Expenses**

	2021	2020
Financial Income:		
Other interest income	1 451	146 628
Dividend	310 053	0
Total financial income	311 504	146 628
Financial expenses:		
Interest expenses	53 576 529	68 208 121
Interest expenses to group companies/related parties	1 118 368	8 828 930
Guarantee cost to group companies	1 424 600	1 847 270
Other financial expenses to group companies/related parties	0	1 048 840
Other financial expenses	484 666	490 562
Total financial expenses	56 604 164	80 423 722

6 **Balances with related parties**

	2021	2020
Receivables		
Knutsen OAS Shipping AS	216 294	81 449
Accounts payable		
Knutsen OAS Offshore AS	11 405	0
Knutsen OAS Shipping AS	7 986	44 258
Knutsen OAS Management AS	35 383	0
Knutsen Shuttle Tankers 14 AS	2 220	0
Knutsen OAS ML AS	8 754 176	7 211 149
Knutsen Shuttle Tankers 15 AS	2 310	0
Sum	8 813 481	7 255 406

7 **Remuneration**

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

	2021	2020
Auditors remuneration (excl. VAT):		
Audit	85 620	66 625
Tax advice	0	0
Other assurance services	0	32 800
	85 620	99 425



8 Mortgage Debt and Financial Instruments

	USD	Historical rate	Rate per		
			31.12.2021	2021 (NOK)	2020 (NOK)
Senior facility NOK-tranche				1 062 500 000	1 275 000 000
Senior facility USD-tranche	30 769 231	9,5851	8,8363	271 886 156	315 230 770
Deferred debt issuance costs				-13 841 395	-16 811 475
				<u>1 320 544 761</u>	<u>1 573 419 295</u>
Current portion:					
Senior facility NOK-tranche				212 500 000	212 500 000
Senior facility USD-tranche				58 985 229	52 538 462
Deferred debt issuance costs				-2 970 081	-2 970 081
				<u>268 515 148</u>	<u>262 068 381</u>

Estimated outstanding debt per year end 2026 is NOK 0 million.

The USDNOK exchange rate at the year-end was 8,8363 (8,5375 at 31.12.2020), and the USD loan is recognized at the exchange rate as of balance sheet date.

Security for the loans is through a first priority mortgage in the vessel, a sharepledge in owners share in the company, assignment in earnings and insurances, accounts pledges and factoring agreement.

Book value of mortgaged assets is NOK 2 262 million (NOK 2 647 million last year).

The company has aimed to reduce the market risk by entering financial contracts. The company has entered long term freight contracts in NOK, 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 NOK 500 million and USD 15 million. Mark to market loss on interest swaps have not been taken into account with NOK 4 million (NOK 24 million last year).

9 Equity

Specification of the equity per 31.12.

	Share capital	Additional paid-in capital	Other Equity	Total equity
Equity 01.01	100 000	1 165 162 597	38 668 920	1 203 931 517
Result for the year	0	0	28 071 887	28 071 887
Received group contribution	0	194 260 095	0	194 260 095
Equity 31.12.	<u>100 000</u>	<u>1 359 422 692</u>	<u>66 740 806</u>	<u>1 426 263 499</u>

Share capital consist of 100 shares à NOK 1 000

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

10 Shares Owned by Board Members and Affiliates

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

11 Tax



Deferred tax/ -benefits are calculated based on the temporary differences existing at the year-end between financial

	<u>31.12.2021</u>	<u>Change</u>	<u>31.12.2020</u>
<u>Temporary differences</u>			
Temporary difference vessel	-467 132 573	-117 256 881	-584 389 454
Temporary difference debt	13 841 395	2 970 079	16 811 474
Sum temporary differences	-453 291 178	-114 286 802	-567 577 980
Deficit carried forward	-785 764 154	-170 420 023	-956 184 177
Base for deferred tax calculation	-1 239 055 331	-284 706 825	-1 523 762 156
Deferred tax 22 %	-272 592 173	62 635 503	-335 227 675

In the following a specification of the differences between the result before tax, and the basis for tax calculation is given.

	<u>2021</u>	<u>2020</u>
Result before taxes	35 916 080	31 959 336
Change in temporary differences	-114 286 802	-182 485 613
Other deductible items	-260 659	18 218
Deficit carried forward	-170 420 023	153 300 610
Deductible interest going forward	0	-2 792 551
Group contribution	249 051 404	0
Tax base	<u>0</u>	<u>0</u>
<u>Calculation of tax expenses</u>		
Tax effect of group contribution	54 791 309	0
Change deferred tax/(tax benefit) 22 % tax rate	-62 635 502	-7 035 062
Tax calculated	<u>-7 844 193</u>	<u>-7 035 062</u>

12 Inventories

Inventories refer to lube oil as per 31.12.



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders Meeting of KNOT FSO 1 AS

Opinion

We have audited the financial statements of KNOT FSO 1 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 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 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, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

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



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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.

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, 29 March 2022
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The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Independent auditor's report – KNOT FSO 1 AS 2021

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Magnus Hegertun Birkeland

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