



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 750 326
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 31 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: 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, 28.03.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Freight income	2	118 941 384	
Other income		253 680	
Sum inntekter		119 195 064	
Kostnader			
Crew-hire	8	24 167 608	950 751
Ordinary depreciation	10	37 250 763	
Nedskrivning av varige driftsmidler og immaterielle eiendeler	10		
Other operating expenses		16 927 935	112 199
Administration	5	8 144 973	1 854 288
Sum kostnader		86 491 279	2 917 237
Driftsresultat		32 703 785	-2 917 237
Finansinntekter og finanskostnader			
Financial income	4	33	3 787
Foreign exchange gain/loss		-655 653	1 367 190
Sum finansinntekter		-655 619	1 370 977
Financial expenses	4	28 681 929	141 954
Sum finanskostnader		28 681 929	141 954
Netto finans		-29 337 548	1 229 023
Ordinært resultat før skattekostnad		3 366 238	-1 688 214
Taxes	9		
Ordinært resultat etter skattekostnad		3 366 238	-1 688 214
Årsresultat		3 366 238	-1 688 214
Årsresultat etter minoritetsinteresser		3 366 238	-1 688 214
Totalresultat		3 366 238	-1 688 214



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	2, 10	911 347 890	
Vessel under construction	10		171 892 475
Sum varige driftsmidler		911 347 890	171 892 475
Sum anleggsmidler		911 347 890	171 892 475
Omløpsmidler			
Varer			
Inventories	13	3 050 980	
Sum varer		3 050 980	
Fordringer			
Receivables	11	38 966 362	1 446 895
Konsernfordringer		10 025	
Sum fordringer		38 976 386	1 446 895
Bankinnskudd, kontanter og lignende			
Bank deposits	3	22 371 908	8 646 066
Sum bankinnskudd, kontanter og lignende		22 371 908	8 646 066
Sum omløpsmidler		64 399 274	10 092 962
SUM EIENDELER		975 747 164	181 985 437
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		100 000	100 000
Annen innskutt egenkapital		149 393 031	177 824 511

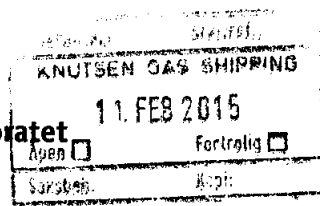


Balanse

Beløp i: NOK	Note	2021	2020
Sum innskutt egenkapital		149 493 031	177 924 511
Opptjent egenkapital			
Other equity		3 366 238	
Sum opptjent egenkapital		3 366 238	
Sum egenkapital	6, 7	152 859 269	177 924 511
Gjeld			
Langsiktig gjeld			
Utsatt skatt	9		
Utsatt inntekt	10		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	12	721 150 208	
Langsiktig konserngjeld	5		
Other non-current liabilities	14	63 439 701	
Sum annen langsiktig gjeld		784 589 909	
Sum langsiktig gjeld		784 589 909	0
Kortsiktig gjeld			
Leverandørgjeld	11	4 807 514	2 512 560
Tax payable	9		
Kortsiktig konserngjeld		4 870 653	1 544 366
Accrued interest		3 986 471	
Other current liabilities		24 633 348	4 000
Sum kortsiktig gjeld		38 297 986	4 060 925
Sum gjeld		822 887 895	4 060 925
SUM EGENKAPITAL OG GJELD		975 747 164	181 985 437



Skattedirektoratet



Saksbehandler
Torstein Kinden Helleland

Deres dato
30.01.2015

Vår dato
09.02.2015

Telefon
22078139

Deres referanse
Geir Tore Henriksen

Vår referanse
2015/87104

KNUTSEN OAS SHIPPING AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 30. januar 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

KNOT Shuttle Tankers 30 AS	org. nr. 914 716 527
KNOT Shuttle Tankers 31 AS	org. nr. 914 750 326
Knutsen Technology AS	org. nr. 991 517 553
KNOT Shuttle Tankers 23 AS	org. nr. 913 154 576
KNOT Shuttle Tankers 28 GP AS	org. nr. 914 450 160
KNOT Shuttle Tankers 28 LP AS	org. nr. 914 450 063
KNOT Shuttle Tankers 27 AS	org. nr. 914 021 456
KNOT Shuttle Tankers 29 AS	org. nr. 914 450 055
KNOT FSO 2 AS	org. nr. 814 450 112
KNOT Shuttle Tankers 24 AS	org. nr. 914 012 902
KNOT Shuttle Tankers 25 AS	org. nr. 914 006 600
KNOT Shuttle Tankers 26 AS	org. nr. 914 021 251

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskap 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.

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

Skattedirektoratet innvilget i vedtak 09/867030 av 2. juni 2010, TS Shipping Invest AS samt en rekke navngitte datterselskap dispensasjon fra kravet om å utarbeide årsregnskap og -beretning på norsk språk. Konsernet ønsker nå å søke om samme dispensasjon for ytterligere et antall selskap som inngår i konsernet. Alle selskapene inngår i konsernregnskapet til TS Shipping Invest AS. Selskapene det søkes om dispensasjon for er enten eid 100 % av TS Shipping Invest AS, eller 50 % av TS Shipping Invest AS og 50 % av det nederlandske selskapet NYK Logistics Holding (Europe) B.V. Alle selskapene i konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper.

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



Skattedirektoratets vurdering og konklusjon

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, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.

De samme fakta og argument for dispensasjon foreligger i denne søknaden som ble vurdert ved innvilgelse av dispensasjon for konsernspissen og enkelte søsterselskap. Selskapenes aktivitet er knyttet til en internasjonal bransje hvor engelsk språk benyttes både internt i selskapene samt mot aksjonærer, og i kommunikasjon med eksterne forretningspartnere. Videre er eierkretsen begrenset.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

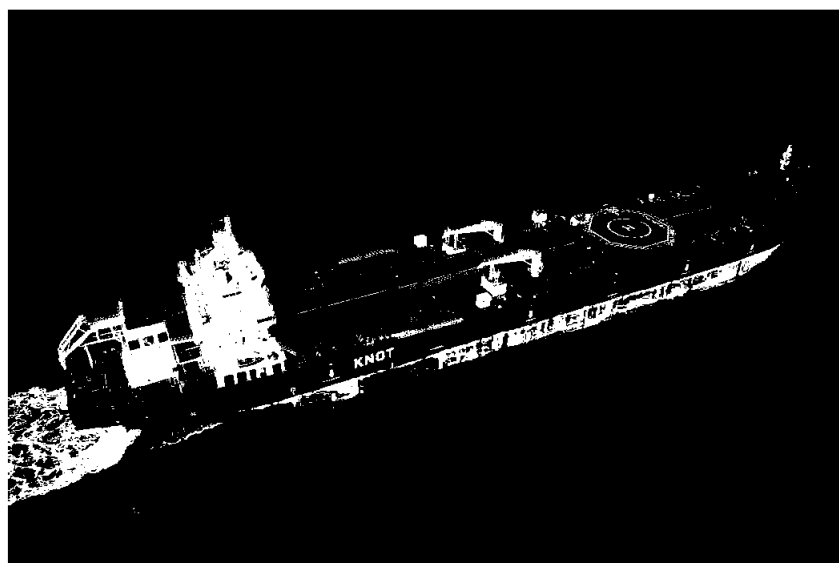
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KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 31 AS

Annual Report 2021



M/T “ Tuva Knutsen ”



Knutsen
Group





KNOT SHUTTLE TANKERS 31 AS

REPORT OF THE BOARD OF DIRECTORS 2021

KNOT Shuttle Tankers 31 AS took delivery of M/T Tuva Knutsen, one 152,000 DWT suez-max DP2 shuttle tanker constructed and delivered from COSCO (Zhoushan) Shipyard Co., Ltd. in China 1 February 2021.

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 in accordance with separate agreement.

The company's activity

M/T Tuva Knutsen is chartered to Total Shipping Brazil B.V. from 16 February 2021 on a five year with one optional period of three years plus three additional optional period of two years plus one additional optional period of one year in charters option. The vessel is operated on Total's Brazilian offshore oil field.

Result for the year

The company got a total operating income of NOK 119 195 064 in 2021 (NOK 0 in 2020). The operating result for KNOT Shuttle Tankers 31 AS was NOK 32 703 785 in 2021 compared to minus NOK 2 917 237 in 2020. After net financial expenses of NOK 29 337 548 in 2021, against a net financial income of NOK 1 229 023 in 2020, the result for the year was NOK 3 366 238 in 2021 compared to a loss of NOK 1 688 214 in 2020.

The Board of Directors propose to transfer the profit to other equity. The company has paid out NOK 28 431 480 in extraordinary dividend to the owner in 2021. The equity-share as of 31.12.2021 was 16 %, compared to 98 % per 31.12.2020.

Total cash flow from operational activities was NOK 38 316 904 in 2021, compared to minus NOK 2 682 264 from operation in 2020. The liquidity position was NOK 22 371 908 as per 31.12.2021 compared to NOK 8 646 066 as per 31.12.2020. The company's ability to finance its investments is good. The company have secured a long-term financing for the vessel and secure long-term stable cash flow for the company. The outstanding mortgage loan is at the end of 2021 USD 83 million in addition to the seller's credit of with book value of USD 7.2 million.

The company's short-term debts per 31.12.2021 was 4.7 % of total debt (100 % in 2020).

Total capital was by the end of the year NOK 975 747 164, compared to NOK 181 985 437 the year before.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the construction contract is denominated in USD. 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 company is also exposed to changes in the interest rate level, as its long-term debt carrying floating interest rate. The company has two interest rate swap agreement in the amount of USD 43 million to reduce the company's interest rate 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. M/T Tuva 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.

Future prospects

The vessel is operated on a long-term charter with Total Shipping Brazil B.V. with charterers option to extend the contract. Based on the operation of the vessel in 2021, the long-term financing and the long-term employment of the vessel the Board of Directors of KNOT Shuttle Tankers 31 AS expects 2022 to be a satisfactory year for the vessel and the company.

Haugesund, February 24, 2022



Trygve Seglen
Chairman of the Board



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 31 AS

Profit & Loss Account

	<u>Note</u>	2021	2020
<u>Operating Income</u>			
Freight income	2	118 941 384	0
Other income		253 680	0
<i>Total Operating income</i>		<u>119 195 064</u>	<u>0</u>
<u>Operating Expenses</u>			
Crew-hire	8	24 167 608	950 751
Other operating expenses		16 927 935	112 199
Administration	5	8 144 973	1 854 288
<i>Total Operating Expenses</i>		<u>49 240 516</u>	<u>2 917 237</u>
Ordinary depreciation	10	37 250 763	0
<i>Operating Result</i>		<u>32 703 785</u>	<u>-2 917 237</u>
<u>Financial Income and Expenses</u>			
Financial income	4	33	3 787
Foreign exchange gain/loss		-655 653	1 367 190
Financial expenses	4	-28 681 929	-141 954
<i>Net Financial Items</i>		<u>-29 337 548</u>	<u>1 229 023</u>
<i>Result before taxes</i>		<u>3 366 238</u>	<u>-1 688 214</u>
Taxes	9	0	0
<i>Result for the year</i>		<u>3 366 238</u>	<u>-1 688 214</u>




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

<u>Assets</u>	<u>Note</u>	2021	2020
<u>Fixed assets</u>			
Vessel	2, 10	911 347 890	0
Vessel under construction	10	0	171 892 475
<i>Total Fixed Assets</i>		<u>911 347 890</u>	<u>171 892 475</u>
<u>Current Assets</u>			
Inventories	13	3 050 980	0
Receivables	11	38 966 362	1 446 895
Current receivables group		10 025	0
Bank deposits	3	22 371 908	8 646 066
<i>Total Current Assets</i>		<u>64 399 274</u>	<u>10 092 962</u>
<i>TOTAL ASSETS</i>		<u>975 747 164</u>	<u>181 985 437</u>



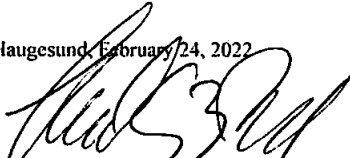
KNOT Shuttle Tankers 31 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2021	2020
<u>Equity</u>			
Share capital		100 000	100 000
Other paid-in equity		149 393 031	177 824 511
<i>Total capital paid-in</i>		<u>149 493 031</u>	<u>177 924 511</u>
Other equity		3 366 238	0
<i>Total Shareholders' Equity</i>	6, 7	<u>152 859 269</u>	<u>177 924 511</u>
Liabilities to financial institutions	12	721 150 208	0
Other non-current liabilities	14	63 439 701	0
<i>Total Long Term Liabilities</i>		<u>784 589 909</u>	<u>0</u>
<u>Current Liabilities</u>			
Accounts payable	11	4 807 514	2 512 560
Accrued interest		3 986 471	0
Current liabilities group		4 870 653	1 544 366
Other current liabilities		24 633 348	4 000
<i>Total Current Liabilities</i>		<u>38 297 986</u>	<u>4 060 925</u>
<i>Total liabilities</i>		<u>822 887 895</u>	<u>4 060 925</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>975 747 164</u>	<u>181 985 437</u>

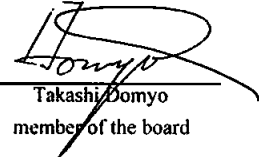


Trygve Seglem
chairman of the board

Haugesund, February 24, 2022



Karl Gerhard Bråstein Dahl
member of the board



Takashi Domyo
member of the board



KNOT Shuttle Tankers 31 AS

CASHFLOW STATEMENT

	2021	2020
Total generated from operations 1)	44 660 314	-1 688 214
Change in working capital	-6 343 410	-994 050
Net cashflow from operations	<u>38 316 904</u>	<u>-2 682 264</u>
<u>Cashflow from investments</u>		
Invested in vessel under construction	<u>-776 706 178</u>	<u>-72 475 711</u>
Net cashflow from investments	<u>-776 706 178</u>	<u>-72 475 711</u>
<u>Cashflow from financing</u>		
Proceeds from long term-debt	758 906 619	0
Debt issuance costs	-5 522 261	0
Repayment of long-term debt	-33 163 150	0
Seller Credit, net change	60 325 388	0
Group contribution	0	83 341 200
Dividend paid-out	<u>-28 431 480</u>	<u>0</u>
Net cashflow from financing	<u>752 115 116</u>	<u>83 341 200</u>
Net cashflow for the year	13 725 842	8 183 225
+ Cash balance per 01.01.	<u>8 646 066</u>	<u>462 841</u>
= Cash Balance per 31.12.	<u>22 371 908</u>	<u>8 646 066</u>

1) Generated from operations:

Result before tax	3 366 238	-1 688 214
+Ordinary depreciation	37 250 763	0
+Realized profit/loss on foreign exchange mortgage debt	-640 142	0
+Unrealized profit/loss on foreign exchange seller's credit	1 888 487	0
+Interests Seller's credit	1 225 826	0
+Amortized debt issuance cost	1 569 142	0
= Total generated from operations	<u>44 660 314</u>	<u>-1 688 214</u>



KNOT Shuttle Tankers 31 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

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.

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.

Transactions in Foreign Currency

The income received in USD is recorded at the rate of exchange on the day the transaction is carried out.

We use hedge accounting for long term debt in foreign currencies. The expected net future nominal cash-flow in the same currency from chartering out vessel is the hedging instruments. The realized foreign exchange gain and -losses are booked together with the hedging instrument. We book realized- and unrealized foreign exchange gain/-loss for any ineffective part of the debt in foreign currencies over financial items.

Inventory

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

Income

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



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.

Related party transactions

The Company has undertaken several agreements and transactions with related parties in the Knutsen NYK Offshore Tankers Group and KNOT Offshore Partners 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. KNOT Management Denmark A/S delivers ship management services for the Company's vessel(s).

Tax

The company qualify for and have elected to be taxed under the Norwegian tonnage tax regime.

In the tonnage tax regime the company pay no tax on qualifying operational result and part of the net financial related to the ownership of the vessel, but pay a annual tonnage tax set annually by the parliament. The limited part of the profit that is taxable is taxed under the standard Norwegian company tax that at the moment is 22%. Tonnage taxed companies will also have to pay a calculated tax on the equity if the equity exceed 70% of total capital. We classify the tonnage tax as an operating expense.

Going concern

The financial accounts are made on a going concern basis. The Board of Directors confirms the conditions for continued operation. 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.

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 vessel operates on a 5 year fix time charter contract with charters option to extend the contract with up to 10 years to Total Shipping Brazil B.V. The time-charter contract started on 16 February 2021.

KNOT Management AS is appointed as manager for the company and the vessel.

3 Bank deposits

The company doesn't have restricted bank funds per 31.12.



4 Financial Income and -Expenses

	<u>2021</u>	<u>2020</u>
Financial Income:		
Other interest income	33	3 787
Total financial income	<u>33</u>	<u>3 787</u>
Financial expenses:		
Interest expenses to group companies	56 003	131 822
Interest expenses	23 042 754	0
Other financial expenses	175 200	10 132
Financial expenses to group companies	1 734 374	0
Guarantee expenses related parties	3 673 597	0
Total financial expenses	<u>28 681 929</u>	<u>141 954</u>

5 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.

	<u>2021</u>	<u>2020</u>
Auditors remuneration (excl. VAT):		
Audit	21 320	15 375
Tax advice	0	0
Other services besides audit	10 000	0
	<u>31 320</u>	<u>15 375</u>

6 Equity

Specification of the equity per 31.12.

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Other equity</u>	<u>Total equity</u>
Equity 01.01.	100 000	177 824 511	0	177 924 511
Dividend paid out		-28 431 480	0	-28 431 480
Result for the year	0	0	3 366 238	3 366 238
Equity 31.12.	<u>100 000</u>	<u>149 393 031</u>	<u>3 366 238</u>	<u>152 859 269</u>

Share capital consist of 1,000 shares à NOK 100.

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.

7 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.

8 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. The company hires the crew from related parties.

	<u>2021</u>	<u>2020</u>
Grants crew expenses	676 555	0



9 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 2021 amounted to NOK 158 841 (NOK 0 in 2020). Tonnage tax is classified as an operating expense.

Specification on the temporary differences:

	<u>31.12.21</u>	<u>Change</u>	<u>31.12.20</u>
Loss carried forward	-20 411 290	13 529 566	-6 881 724
Temporary differences	-20 411 290	13 529 566	-6 881 724
Calculated deferred tax	4 490 484	-2 976 505	1 513 979
Deferred tax in balance	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.

Tax cost

	<u>2021</u>	<u>2020</u>
Net financial Items	-29 337 548	1 229 023
Non-taxable currency gain	771 230	-1 283 846
Non-deductable interest	16 167 625	123 786
Deductable financial items	-1 130 873	-4 017 259
Income supplement for high equity ratio	0	346 986
Taxable income before loss carried forward	-13 529 566	-3 601 310
Loss carried forward	13 529 566	3 601 310
Taxable income	0	0
Tax payable	0	0
Change deferred tax/(tax benefit)	0	0
Tax calculated	0	0

10 Fixed Assets

Vessel under construction

	<u>2021</u>	<u>2020</u>
Book value 01.01.	171 892 475	99 416 764
Additions	776 706 178	72 475 711
Delivery new vessel	-948 598 653	0
Book value 31.12.	0	171 892 475



Vessel	2021
Historical value 1.1.	0
Accumulated depreciation 1.1.	0
Book value 1.1.	0
Delivered new building	920 521 140
Annual depreciation	32 187 606
Book value 31.12.	888 333 534

The company changed in third quarter 2021 the useful life estimate for M/T Live Knutsen 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 23 years to estimated net sales price at end of the new estimated end of life.

Dry-docking	2021
Capitalised dry-docking	0
Accumulated depreciation dry-docking 1.1.	0
Capitalised dry-docking 1.1.	0
Delivered new building	28 077 513
Annual depreciation	5 063 157
Book value 31.12.	23 014 356
Total book value vessel 31.12.	911 347 890

11 **Balances with related parties**

	2021	2020
Receivables		
KNOT Shuttle Tankers 18 AS	82 550	0
KNOT Shuttle Tankers 24 AS	148	0
	82 698	0
Accounts Payable		
Knutsen O.A.S Shipping AS	156 156	219 440
TS Shipping Invest AS	0	293
Knutsen O.A.S Management AS	1 880	0
Knutsen O.A.S Crewing AS	78 446	36 870
KNOT Shuttle Tankers AS	860 600	0
	1 097 082	256 603

12 **Mortgage Debt and Financial Instruments**

31-12-21	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	83 271 510	8,7077	8,7077	725 103 328
Debt issuance cost				-3 953 120
				721 150 208
Current portion USD-loan	5 176 000		8,7077	45 071 055
Current portion debt issuance cost				-1 699 516
				43 371 539

Estimated outstanding debt per year end 2026 is USD 57 million.

The USDNOK exchange rate at the year-end was 8,8363



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 loss (i.e. off-balance) is NOK 10.7 million.

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 911 million.

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 43 million. Mark to market loss on the interest rate swaps have not been taken into account with USD 0.8 million per 31.12.2021

13 Inventories

Inventories refer to lube oil as per 31.12.

14 Seller Credit

The last instalment on the vessel construction contract with COSCO (Zhoushan) Shipyard Co., Ltd. in China is payable three years after the delivery of the vessel with USD 7.5 million. The instalment is booked as a seller's credit with the net present value on the delivery of the vessel and the investment on the vessel. The interest is expensed over the profit and loss statement during the term of the credit.

31-12-21

	USD	Historical rate	Rate as at 31.12	NOK
Seller Credit Yard	7 179 442	8,5709	8,8363	63 439 701



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders Meeting of KNOT Shuttle Tankers 31 AS

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 31 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, 24 February 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 Shuttle Tanker 31 AS 2021

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Magnus Hegertun Birkeland

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