



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 812 818 252  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: KNOT SHUTTLE TANKERS 22 AS  
Forretningsadresse: Smedasundet 40  
5529 HAUGESUND

### Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

### 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: 04.03.2019

### Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert  
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

*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, 30.04.2021



## Resultatregnskap

Beløp i: NOK	Note	2018	2017
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	3	118 463 793	108 766 132
Annen driftsinntekt		-1 592 349	-1 412 220
<b>Sum inntekter</b>		<b>116 871 445</b>	<b>107 353 913</b>
<b>Kostnader</b>			
Lønnskostnad	11	25 850 762	25 599 934
Avskrivning på varige driftsmidler og immaterielle eiendeler	4	34 817 691	29 272 222
Annen driftskostnad	10	17 456 374	21 978 243
<b>Sum kostnader</b>		<b>78 124 828</b>	<b>76 850 400</b>
<b>Driftsresultat</b>		<b>38 746 617</b>	<b>30 503 513</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	5	2 038 626	-1 035 576
<b>Sum finansinntekter</b>		<b>2 038 626</b>	<b>-1 035 576</b>
Annen finanskostnad	5	4 639 845	6 399 547
<b>Sum finanskostnader</b>		<b>4 639 845</b>	<b>6 399 547</b>
<b>Netto finans</b>		<b>-2 601 218</b>	<b>-7 435 123</b>
<b>Ordinært resultat før skattekostnad</b>		<b>36 145 398</b>	<b>23 068 390</b>
Skattekostnad på ordinært resultat	12		
<b>Ordinært resultat etter skattekostnad</b>		<b>36 145 398</b>	<b>23 068 390</b>
<b>Årsresultat</b>		<b>36 145 398</b>	<b>23 068 390</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>36 145 398</b>	<b>23 068 390</b>
<b>Totalresultat</b>		<b>36 145 398</b>	<b>23 068 390</b>



## Balanse

Beløp i: NOK	Note	2018	2017
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	12		
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	4, 6	34 555 896	69 373 587
<b>Sum varige driftsmidler</b>		<b>34 555 896</b>	<b>69 373 587</b>
<b>Finansielle anleggsmidler</b>			
Lån til foretak i samme konsern		30 818 966	18 068 272
<b>Sum finansielle anleggsmidler</b>		<b>30 818 966</b>	<b>18 068 272</b>
<b>Sum anleggsmidler</b>		<b>65 374 862</b>	<b>87 441 859</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer	13	775 994	789 975
<b>Sum varer</b>		<b>775 994</b>	<b>789 975</b>
<b>Fordringer</b>			
Andre fordringer	7	4 170 294	4 093 792
Konsernfordringer		1 165 367	3 385 247
<b>Sum fordringer</b>		<b>5 335 662</b>	<b>7 479 038</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	2	5 253 521	22 527 908
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>5 253 521</b>	<b>22 527 908</b>
<b>Sum omløpsmidler</b>		<b>11 365 176</b>	<b>30 796 921</b>
<b>SUM EIENDELER</b>		<b>76 740 039</b>	<b>118 238 780</b>

## BALANSE - EGENKAPITAL OG GJELD



## Balanse

Beløp i: NOK	Note	2018	2017
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	8, 9	100 000	100 000
<b>Sum innskutt egenkapital</b>		<b>100 000</b>	<b>100 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		36 145 399	32 828 338
<b>Sum opptjent egenkapital</b>		<b>36 145 399</b>	<b>32 828 338</b>
<b>Sum egenkapital</b>	8	<b>36 245 399</b>	<b>32 928 338</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	6	36 003 354	72 822 713
<b>Sum annen langsiktig gjeld</b>		<b>36 003 354</b>	<b>72 822 713</b>
<b>Sum langsiktig gjeld</b>		<b>36 003 354</b>	<b>72 822 713</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	7	3 879 415	511 489
Betalbar skatt	12		
Kortsiktig konserngjeld		10 205	24 101
Annen kortsiktig gjeld	7	601 667	11 952 139
<b>Sum kortsiktig gjeld</b>		<b>4 491 286</b>	<b>12 487 729</b>
<b>Sum gjeld</b>		<b>40 494 640</b>	<b>85 310 442</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>76 740 039</b>	<b>118 238 780</b>



## Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 31.01.2014	Vår dato 11.02.2014
Telefon 22078139	Deres referanse Geir Tore Henriksen	Vår referanse 2014/84494

TS SHIPPING INVEST AS  
Postboks 2017  
5504 HAUGESUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 31. januar 2014 der det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk på vegne av;

<b>Knutsen LNG AS</b>	<b>org. nr. 913 018 664</b>
<b>Norspan LNG IX AS</b>	<b>org. nr. 912 745 414</b>
<b>Norspan LNG XI AS</b>	<b>org. nr. 913 018 087</b>
<b>Norspan LNG X AS</b>	<b>org. nr. 912 745 449</b>
<b>Umoe LNG AS</b>	<b>org. nr. 913 018 141</b>
<b>KNOT Shuttle Tankers 23 AS</b>	<b>org. nr. 913 154 576</b>
<b>KNOT Shuttle Tankers 22 AS</b>	<b>org. nr. 812 818 252</b>

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*

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



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 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

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland



## KNOT Shuttle Tankers 22 AS

### Annual Report 2018



M/T " Dan Eagle "



Knutsen  
Group





## **KNOT SHUTTLE TANKERS 22 AS**

### **REPORT OF THE BOARD OF DIRECTORS 2018**

KNOT Shuttle Tankers 22 AS owns one 46,186 DWT MR size DP shuttle tanker, M/T Dan Eagle, delivered from Hyundai Heavy Industries in 1999 and later converted to shuttle tanker.

The company operates out of Haugesund, Norway and has no employees and working environment. The daily operations of the company are managed by KNOT Management AS in Haugesund in accordance with separate agreement and the daily operations of the vessel are managed by KNOT Management Denmark A/S in Copenhagen, Denmark in accordance with separate agreement.

#### **The company's activity**

The vessel is chartered out to Petrobras in Brazil on a time-charter party until the vessel is due for the 20 year special survey with charters option to extend until 13 November, 2019.

#### **Result for the year**

The operating result for KNOT Shuttle Tankers 22 AS was NOK 38 746 617 in 2018 compared to NOK 30 503 513 in 2017. After net financial expenses of NOK 2 601 218 in 2018, NOK 7 435 123 in 2017, the results of the year was NOK 36 145 398 in 2018 compared to NOK 23 068 390 in 2017.

The Board of Directors suggests the result for the year transferred to other equity.

Total cash flow from operating activities in the company was NOK 77 882 051, NOK 56 967 390 in 2017. The liquidity position was NOK 5 253 521 as per 31.12.2018 compared to NOK 22 527 908 as per 31.12.2017. The company's ability to finance its investments is good. The company have financed the vessel with a senior and junior long-term mortgage loan. The outstanding mortgage loan was at the end of 2018 USD 6 033 333.

The company's short-term debt per 31.12.2018 was 11 % of total debt (15 % in 2017).

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 company is also exposed to changes in the interest rate level, as its long-term debt carrying floating interest rate.

Total capital was by the end of the year NOK 76 740 039, NOK 118 238 780 at the end of 2017. The equity share as of 31.12.2018 was 47 % up from 28 % the year before.

The financial accounts are settled on the assumption of a going concern. The board confirms the assumption of a going concern. The Board of Directors confirms that the Financial Statements give a true picture of the company's assets and liabilities, financial position and results.



#### **The environment safety and quality control**

The requirements for a safety operation of ships are increasing, and both the company and the manager KNOT Management Denmark A/S are concerned with an operational excellence. Knutsen NYK Offshore Tankers Group's fleet consists of ships, which are designed and engineered for safe, environmentally sound and efficient operations. The ships are maintained and upgraded continuously to meet the demands and expectations from a government and employers. The company and the manager put significant resources to the quality assurance and there are strict requirements for safety systems and an operation of the ships.

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 ship as satisfactory. M/T Dan Eagle 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.

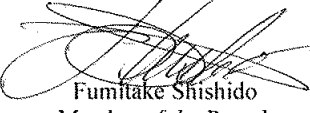
#### **Future prospects**

M/T Dan Eagle is operated on a long-term charter with Petrobras in Brazil. The charterer and trading area is well known for the manager and the Board of Directors. The vessel was in Europe in first half of 2017 for her 17.5 year intermediate survey and the vessel has now all certificates for operation under the time charter contract until the vessel is due for 20 year class in May 2019. The Company is in dialogue with Petrobras regarding an extension of the current charterparty to the end of 2019 and discusses a potential new charterparty for a longer period. The Board of Directors will evaluate if M/T Dan Eagle will be taken through 20 year class when we have more firm conclusions regarding the dialogue with the charterer. The Board of Directors have agreed to repay the balloon of the junior and senior loan at the due date, and not do any refinancing activities.

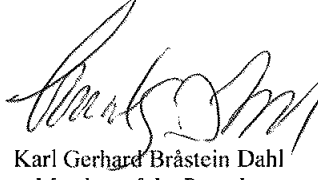
Haugesund, February 22, 2019



Trygve Seglem  
*Chairman of the Board*



Fumitake Shishido  
*Member of the Board*



Karl Gerhard Bråstein Dahl  
*Member of the Board*



**KNOT Shuttle Tankers 22 AS**

**Profit & Loss Account**

	<u>Note</u>	2018	2017
<b><u>Operating Income</u></b>			
Freight income	3	118 463 793	108 766 132
Voyage expenses		-1 592 349	-1 412 220
<i>Total Operating income</i>		<u>116 871 445</u>	<u>107 353 913</u>
<b><u>Operating Expenses</u></b>			
Crew-hire	11	25 850 762	25 599 934
Other operating expenses		12 790 976	18 159 624
Administration	10	4 665 398	3 818 620
<i>Total Operating Expenses</i>		<u>43 307 137</u>	<u>47 578 178</u>
Ordinary depreciation	4	34 817 691	29 272 222
<i>Operating Result</i>		<u>38 746 617</u>	<u>30 503 513</u>
<b><u>Financial Income and Expenses</u></b>			
Financial income	5	893 836	859 947
Foreign exchange gain/loss		1 144 790	-1 895 523
Financial expenses	5	-4 639 845	-6 399 547
<i>Net Financial Items</i>		<u>-2 601 218</u>	<u>-7 435 123</u>
<i>Result before taxes</i>		<u>36 145 398</u>	<u>23 068 390</u>
Taxes	12	0	0
<i>Result for the year</i>		<u>36 145 398</u>	<u>23 068 390</u>



**KNOT Shuttle Tankers 22 AS**  
**Balance Sheet as of 31. December**

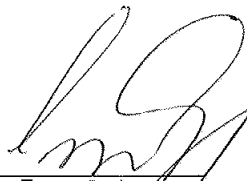
<u>Assets</u>	<u>Note</u>	<b>2018</b>	<b>2017</b>
<b><u>Fixed assets</u></b>			
Vessel	<b>4, 6</b>	34 555 896	69 373 587
Loan to group companies		30 818 966	18 068 272
<i>Total Fixed Assets</i>		<b><u>65 374 862</u></b>	<b><u>87 441 859</u></b>
<b><u>Current Assets</u></b>			
Inventories	<b>13</b>	775 994	789 975
Other short-term receivables	<b>7</b>	4 170 294	4 093 792
Intercompany receivables		1 165 367	3 385 247
Bank deposits	<b>2</b>	5 253 521	22 527 908
<i>Total Current Assets</i>		<b><u>11 365 176</u></b>	<b><u>30 796 921</u></b>
<i>TOTAL ASSETS</i>		<b><u>76 740 039</u></b>	<b><u>118 238 780</u></b>




**KNOT Shuttle Tankers 22 AS**  
**Balance Sheet as of 31. December**

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	<b>2018</b>	<b>2017</b>
<b><u>Equity</u></b>			
Share capital	8, 9	100 000	100 000
<i>Total capital paid-in</i>		<u>100 000</u>	<u>100 000</u>
Other equity		36 145 399	32 828 338
<i>Total Shareholders' Equity</i>	8	<u>36 245 399</u>	<u>32 928 338</u>
<b><u>Long Term Debt</u></b>			
Mortgage debt	6	36 003 354	72 822 713
<i>Total Long Term Debt</i>		<u>36 003 354</u>	<u>72 822 713</u>
<b><u>Current Liabilities</u></b>			
Trade creditors	7	3 879 415	511 489
Accrued interest		369 858	548 677
Intercompany liabilities		10 205	24 101
Other current liabilities	7	231 809	11 403 462
<i>Total Current Liabilities</i>		<u>4 491 286</u>	<u>12 487 729</u>
<i>Total liabilities</i>		<u>40 494 640</u>	<u>85 310 442</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>76 740 039</u>	<u>118 238 780</u>

Haugesund, February 22, 2019

  
Trygve Seglem  
chairman of the board

  
Fumitake Shishido  
member of the board

  
Karl Gerhard Bråstein Dahl  
member of the board



## KNOT SHUTTLE TANKERS 22 AS

### CASHFLOW STATEMENT

	2018	2017
Total generated from operations 1)	83 721 136	65 748 375
Change in working capital	<u>-5 839 085</u>	<u>-8 780 985</u>
Net cashflow from operations	<u>77 882 051</u>	<u>56 967 390</u>
Invested in vessel	0	-15 757 877
Net lending to group companies	<u>-12 750 694</u>	<u>19 967 243</u>
Net cashflow from investments	<u>-12 750 694</u>	<u>4 209 366</u>
Dividends	-32 828 338	-30 000 000
Net change mortgage debt	<u>-49 577 406</u>	<u>-50 054 095</u>
Net cashflow from financing	<u>-82 405 744</u>	<u>-80 054 095</u>
Net cashflow for the year	-17 274 387	-18 877 339
+ Cash balance per 01.01.	<u>22 527 908</u>	<u>41 405 246</u>
<b>= Cash Balance per 31.12.</b>	<u><b>5 253 521</b></u>	<u><b>22 527 908</b></u>

1) Generated from operations:

Result for the year before tax	36 145 398	23 068 390
+ Ordinary depreciation	34 817 691	29 272 222
+ Amortized debt issuance cost	553 040	726 068
+ Currency loss (- gain) mortgage debt	<u>12 205 007</u>	<u>12 681 695</u>
<b>= Total generated from operations</b>	<u><b>83 721 136</b></u>	<u><b>65 748 375</b></u>



## KNOT SHUTTLE TANKERS 22 AS

### Notes to the Financial Statement 31.12.2018

#### 1 Accounting Principles

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

##### Current Assets/Current Liabilities

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

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

This principle is not used for current items in foreign currency, which are valued at the rate of exchange at the year-end.

##### Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly to residual value at the date 20 years after delivery of the vessel from newbuilding yard.

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.

##### Tax

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



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

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

## **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.

## **Accounts Receivable**

Accounts receivable are recorded at nominal value, net of provisions for doubtful debts. Any provision for doubtful debts is made based on evaluation of each receivable.

## **Transactions in Foreign Currency**

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

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.

## **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 KNOT. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management Denmark A/S delivers ship management services for the Company's vessel. Ship management fee includes services like technical management, crewing management, IT and energy management.



## 2 Bank deposits

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

## 3 Contracts

The company has secured employment of the vessel, M/T Dan Eagle, with a fixed time charter contract until the vessel is due for 20 year special survey to Petrobras with charterers option to extend until the end of 2019.

KNOT Management Denmark A/S operates as a manager on behalf of the vessel in accordance with management agreements.

## 4 Fixed Assets and Dry-Docking

<u>Vessel</u>	<u>2018</u>	<u>2017</u>
Historical value	96 199 032	96 199 032
Acc. depreciation 01.01.	53 315 308	38 365 012
Book Value 01.01.	42 883 724	57 834 019
Ordinary annual depreciation	14 950 294	14 950 296
Book value 31.12.	27 933 430	42 883 724

The economic life of the vessel is estimated to 20 years, and the vessel is depreciated accordingly.

<u>Dry-Docking</u>	<u>2018</u>	<u>2017</u>
Capitalised dry-docking	66 730 731	50 972 854
Acc. depreciation 01.01.	40 240 868	25 918 942
Capitalised dry-docking 01.01.	26 489 863	25 053 912
Additions	0	15 757 877
Ordinary annual depreciation	19 867 397	14 321 926
Capitalised 31.12.	6 622 466	26 489 863
Total book value vessel 31.12.	34 555 896	69 373 587

## 5 Financial Income and -Expenses

	<u>2018</u>	<u>2017</u>
<b>Financial Income:</b>		
Interest income from group companies	215 477	214 783
Interest income	283 839	232 567
Guarantee income related parties	394 520	412 597
Total financial income	893 836	859 947
<b>Financial expenses:</b>		
Interest expense	4 200 362	5 696 593
Guarantee expenses related parties	354 549	624 897
Other financial expenses	84 934	78 057
Total financial expenses	4 639 845	6 399 547



## 6 Mortgage Debt and Financial Instruments

<u>31.12.2018</u>	<u>USD</u>	<u>Historical rate</u>	<u>Rate as at 31.12</u>	<u>NOK</u>
USD-loan	6 033 333	6,0401	6,0401	36 441 700
Deferred debt issuance costs				-438 347
				<u>36 003 354</u>
Current portion	6 033 333	6,0401	6,0401	36 441 700
Deferred debt issuance costs				-438 347
				<u>36 003 354</u>

<u>31.12.2017</u>	<u>USD</u>	<u>Historical rate</u>	<u>Rate as at 31.12</u>	<u>NOK</u>
USD-loan	12 100 000	6,1003	6,1003	73 814 100
Deferred debt issuance costs				-991 387
				<u>72 822 713</u>
Current portion	6 066 667	6,1603	6,1603	37 372 402
Deferred debt issuance costs				-726 068
				<u>36 646 334</u>

The USDNOK exchange rate at the year-end was 8,6911 (8,2411 in 2017).

Security for the loan is made through a first priority mortgage in the vessel, a sharepledge in the owners share in Knutsen NYK Offshore Tankers AS, transportation of income and insurances, pledged bank deposits, factoring agreement, and guarantees from the owner.

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 31.12.2018 the not recorded foreign exchange loss (i.e. off-balance) is NOK 16 million compared to a loss of NOK 26 million as per 31.12.2017.

Book value of mortgaged assets is NOK 77 million (NOK 118 million in 2017).

The estimated outstanding debt per 31.12.2023 is USD 0 million. The loan will be fully repaid in 2019.



## 7 Balances with group and associated companies

	<u>2018</u>	<u>2017</u>
<u>Other short-term receivables</u>		
Knutsen O.A.S Shipping AS	1 537	0
<u>Trade creditors</u>		
KNOT Management Denmark A/S	3 879 415	511 489
<u>Other current liabilities</u>		
KNOT Shuttle Tankers 21 AS	11 094	0
KNOT Shuttle Tankers 32 AS	665	0
	<u>11 759</u>	<u>0</u>

## 8 Equity

Specification of the equity per 31.12.

	<u>Share capital</u>	<u>Other equity</u>	<u>Total equity</u>
Equity 01.01	100 000	32 828 338	32 928 338
Extraordinary dividend paid-out	0	-32 828 338	-32 828 338
Result for the year	0	36 145 398	36 145 398
Equity 31.12.	<u>100 000</u>	<u>36 145 399</u>	<u>36 245 399</u>

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

Knutsen NYK Offshore Tankers AS owns all the shares in the company. Financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.

## 9 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.

## 10 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>2018</u>	<u>2017</u>
Audit	38 130	10 250
Tax advice	0	0
Other services besides audit	0	35 317
	<u>38 130</u>	<u>45 567</u>

## 11 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from KNOT Management Denmark A/S in accordance with a separate management agreement.



## 12 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 23% 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 2018 amounted to NOK 63 466 (NOK 59 588 in 2017). Tonnage tax is classified as an operating expense.

	<u>2018</u>	<u>Change</u>	<u>2017</u>
Loss carried forward	-32 110 919	-6 265 416	-25 845 503
Basis for deferred tax (benefit)	-32 110 919	-6 265 416	-25 845 503
Deferred tax (benefit)	-7 064 402	-1 119 936	-5 944 466
Deferred tax (benefit) booked	0	0	0

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

Taxable result tonnage tax scheme:

	<u>2018</u>	<u>2017</u>
Net financial items	-2 601 218	-7 435 123
Non-deductable currency loss	-6 220 754	-4 871 391
Interest deduction	2 556 557	3 422 506
Taxable income before loss carried forward	-6 265 416	-8 884 008
Change in loss carried forward	6 265 416	8 884 008
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

## 13 Inventories

Inventories refer to lube oil and stores as per 31.12.



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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 22 AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of KNOT Shuttle Tankers 22 AS which comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for opinion

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

#### Other information

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

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

#### Responsibilities of management for the financial statements

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

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



### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



## Report on other legal and regulatory requirements

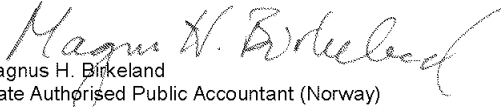
### Opinion on the Board of Directors' report

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

### Opinion on registration and documentation

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

Oslo, 22 February 2019  
ERNST & YOUNG AS

  
Magnus H. Birkeland  
State Authorised Public Accountant (Norway)