



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 006 600
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 25 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 11.03.2021

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 24.03.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Freight income	2	198 847 995	185 072 268
Other operating income		13 589	19 938
Sum inntekter		198 861 585	185 092 207
Kostnader			
Lønnskostnader og andre sosiale kostnader	12		
Crew-hire	12	21 654 093	21 678 782
Ordinary depreciation	4	47 718 900	47 675 220
Other operating expenses		16 983 842	17 626 543
Administration	8	6 418 845	5 975 027
Sum kostnader		92 775 680	92 955 571
Driftsresultat		106 085 904	92 136 635
Finansinntekter og finanskostnader			
Financial income	6	68 997	462 546
Foreign exchange gain/loss		1 235 481	1 492 178
Sum finansinntekter		1 304 479	1 954 724
Financial expenses	6	43 741 700	35 293 334
Sum finanskostnader		43 741 700	35 293 334
Netto finans		-42 437 221	-33 338 610
Ordinært resultat før skattekostnad		63 648 683	58 798 025
Taxes	11		
Ordinært resultat etter skattekostnad		63 648 683	58 798 025
Årsresultat		63 648 683	58 798 025
Årsresultat etter minoritetsinteresser		63 648 683	58 798 025
Totalresultat		63 648 683	58 798 025



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	4	915 531 463	963 151 887
Sum varige driftsmidler		915 531 463	963 151 887
Finansielle anleggsmidler			
Financial instruments	5	1 236 103	2 372 827
Sum finansielle anleggsmidler		1 236 103	2 372 827
Sum anleggsmidler		916 767 566	965 524 715
Omløpsmidler			
Varer			
Inventories	13	1 439 115	1 700 069
Sum varer		1 439 115	1 700 069
Fordringer			
Receivables	7	4 123 693	3 508 823
Sum fordringer		4 123 693	3 508 823
Bankinnskudd, kontanter og lignende			
Bank deposits	3	25 722 695	23 203 897
Sum bankinnskudd, kontanter og lignende		25 722 695	23 203 897
Sum omløpsmidler		31 285 503	28 412 788
SUM EIENDELER		948 053 070	993 937 503

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2020	2019
Share capital	9, 10	100 000	100 000
Annen innskutt egenkapital		225 927 187	243 702 987
Sum innskutt egenkapital		226 027 187	243 802 987
Opptjent egenkapital			
Other equity		67 563 384	61 477 261
Sum opptjent egenkapital		67 563 384	61 477 261
Sum egenkapital	9	293 590 571	305 280 248
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	5	6 117 519	
Gjeld til kredittinstitusjoner	5, 5	639 406 994	679 898 406
Langsiktig konserngjeld	7		
Other long term liabilities	5		
Sum annen langsiktig gjeld		645 524 513	679 898 406
Sum langsiktig gjeld		645 524 513	679 898 406
Kortsiktig gjeld			
Leverandørgjeld	7	2 695 552	1 706 745
Kortsiktig konserngjeld		1 214 415	821 425
Accrued interest		4 040 509	4 662 953
Other current liabilities		987 510	1 567 727
Sum kortsiktig gjeld		8 937 986	8 758 849
Sum gjeld		654 462 499	688 657 255
SUM EGENKAPITAL OG GJELD		948 053 070	993 937 503



KNOT Shuttle Tankers 25 AS

Annual Report 2020



MT "Vigdis Knutsen"

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 25 AS

REPORT OF THE BOARD OF DIRECTORS 2020

KNOT Shuttle Tankers 25 AS owns one 158 000 dwt suez-max DP2 shuttle tanker, M/T Vigdis Knutsen, delivered from Hyundai Heavy Industries (HHI) Shipyard in South Korea in 2017.

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

The company's activity

The company vessel operates under a 5-year fixed contract with Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell, the fixed period ending January 2022. In December 2020, the company entered into a new three-year fixed contract with Brazil Shipping I Limited, the newly agreed contracts are schedule to commence in 2023.

Result for the year

The operating result for KNOT Shuttle Tankers 25 AS was NOK 106 085 904 in 2020 compared to NOK 92 136 635 in 2019. After net financial loss of NOK 42 437 221 in 2020, against a loss of NOK 33 338 610 in 2019, the result for the year were NOK 63 648 683 in 2020 compared to NOK 58 798 025 in 2019.

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 126 511 773, NOK 109 673 471 in 2019. The liquidity position was NOK 25 722 695 as per 31.12.2020 compared to NOK 23 203 897 as per 31.12.2019. The company's ability to finance its investments is good. The outstanding mortgage loan is at the end of 2020 USD 77 136 000, USD 82 196 000 at the end of 2019.

The company's short-term debt per 31.12.2020 was 1.4 % of total debt (1.3 % in 2019).

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since most 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. The company has three interest rate swap agreements in the amount of USD 90 million to reduce the company's interest rate risk.

Total capital was by the end of the year NOK 948 053 070, NOK 993 937 503 at the end of 2019. The equity-share as of 31.12.2020 was 31 %, compare to 31 % as of 31.12.2019.

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 AS are concerned with an operational excellence. KNOT Shuttle 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 stakeholders. 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 vessel as satisfactory. M/T Vigdis Knutsen are 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.

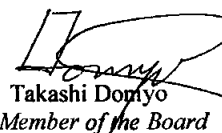
Prospects

M/T Vigdis Knutsen is operated on a long-term charter with Brazil Shipping I Limited. The charterer and trading area is well known for the manager and the Board of Directors. The Board of Directors expect that 2021 will be a stable profitable year for the company.

Haugesund, March 10, 2021


Frygve Seglem
Chairman of the Board/CEO


Karl Gerhard Bråstein Dahl
Member of the Board


Takashi Donryo
Member of the Board



KNOT Shuttle Tankers 25 AS

Profit & Loss Account

	Note	2020	2019
<u>Operating Income</u>			
Freight income	2	198 847 995	185 072 268
Other operating income		13 589	19 938
<i>Total Operating income</i>		<u>198 861 585</u>	<u>185 092 207</u>
<u>Operating Expenses</u>			
Crew-hire	12	21 654 093	21 678 782
Other operating expenses		16 983 842	17 626 543
Administration	8	6 418 845	5 975 027
<i>Total Operating Expenses</i>		<u>45 056 780</u>	<u>45 280 351</u>
Ordinary depreciation	4	47 718 900	47 675 220
<i>Operating Result</i>		<u>106 085 904</u>	<u>92 136 635</u>
<u>Financial Income and Expenses</u>			
Financial income	6	68 997	462 546
Foreign exchange gain/loss		1 235 481	1 492 178
Financial expenses	6	-43 741 700	-35 293 334
<i>Net Financial Items</i>		<u>-42 437 221</u>	<u>-33 338 610</u>
<i>Result before taxes</i>		<u>63 648 683</u>	<u>58 798 025</u>
Taxes	11	0	0
<i>Result for the year</i>		<u>63 648 683</u>	<u>58 798 025</u>



KNOT Shuttle Tankers 25 AS
Balance Sheet as of 31. December

	Note	2020	2019
<u>Assets</u>			
<u>Fixed assets</u>			
Vessel	4	915 531 463	963 151 887
Financial instruments	5	1 236 103	2 372 827
<i>Total Fixed Assets</i>		<u>916 767 566</u>	<u>965 524 715</u>
<u>Current Assets</u>			
Inventories	13	1 439 115	1 700 069
Receivables	7	4 123 693	3 508 823
Bank deposits	3	25 722 695	23 203 897
<i>Total Current Assets</i>		<u>31 285 503</u>	<u>28 412 788</u>
TOTAL ASSETS		<u>948 053 070</u>	<u>993 937 503</u>



KNOT Shuttle Tankers 25 AS
Balance Sheet as of 31. December

	Note	2020	2019
<u>Shareholders Equity and Liabilities</u>			
<u>Equity</u>			
Share capital	9, 10	100 000	100 000
Other paid-up equity		225 927 187	243 702 987
<i>Total capital paid-in</i>		<u>226 027 187</u>	<u>243 802 987</u>
Other equity		67 563 384	61 477 261
<i>Total Shareholders' Equity</i>	9	<u>293 590 571</u>	<u>305 280 248</u>
<u>Long Term Liabilities</u>			
Financial instruments	5	6 117 519	0
Liabilities to financial institutions	5	639 406 994	679 898 406
<i>Total Long Term Liabilities</i>		<u>645 524 513</u>	<u>679 898 406</u>
<u>Current Liabilities</u>			
Accounts payable	7	2 695 552	1 706 745
Accrued interest		4 040 509	4 662 953
Current liabilities group		1 214 415	821 425
Other current liabilities		987 510	1 567 727
<i>Total Current Liabilities</i>		<u>8 937 986</u>	<u>8 758 849</u>
<i>Total liabilities</i>		<u>654 462 499</u>	<u>688 657 255</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>948 053 070</u>	<u>993 937 503</u>

Haugesund, March 10, 2021

 Trygve Seglem chairman of the board	 Karl Gerhard Bråstein Dahl member of the board	 Takashi Domyo member of the board
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KNOT SHUTTLE TANKERS 25 AS

CASHFLOW STATEMENT

	2020	2019
Total generated from operations 1)	126 686 554	111 669 194
Change in working capital	<u>-174 781</u>	<u>-1 995 723</u>
Net cashflow from operations	<u>126 511 773</u>	<u>109 673 471</u>
Net invested in vessel	<u>-98 476</u>	<u>0</u>
Net cashflow from investments	<u>-98 476</u>	<u>0</u>
Dividend paid-out	-75 338 360	-62 614 800
Paid installments mortgage debt	<u>-48 556 140</u>	<u>-44 507 253</u>
Net cashflow from financing	<u>-123 894 500</u>	<u>-107 122 053</u>
Net cashflow for the year	2 518 798	2 551 418
+ Cash balance per 01.01.	<u>23 203 897</u>	<u>20 652 478</u>
= Cash Balance per 31.12.	<u>25 722 695</u>	<u>23 203 897</u>

1) Generated from operations:

Result before tax	63 648 683	58 798 025
+Realized profit/loss on foreign exchange Mortgage debt	6 505 010	2 456 124
+Unrealized profit/loss on foreign exchange rate contracts	6 117 519	0
+Ordinary depreciation	47 718 900	47 675 220
+Amortization financial contract	1 136 724	1 133 618
+Amortization loan expenses	1 559 718	1 606 207
= Total generated from operations	<u>126 686 554</u>	<u>111 669 194</u>



KNOT SHUTTLE TANKERS 25 AS

Notes to the Financial Statement 31.12.2020

1 Accounting Principles

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

Current Assets/Current Liabilities

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

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

Income

The income from 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.

Inventories

Inventories are valued according to the net realisable value principle.

Fixed Assets and Dry-Docking

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

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

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

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

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



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.

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.

Financial contracts

The company will from time to time step into/take over interest rate contracts from other group or related companies. The transfer of interest rate swaps between companies will be done with the financial counterpart's participation and will be sold/transferred to the new party at market value. The seller will take the value as a financial gain or loss into the profit and loss statement and the purchasing company will capitalize the value and amortize the value linearly to zero over the contract period.

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

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

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

Cash flow statement

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

Related party transactions

The Company has undertaken several agreements and transactions with related parties in the KNOT Group and KNOP Group. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers ship management services for the Company's vessel. Ship management fee includes services like technical management, crewing management, IT and energy management.

2 Contracts

The company vessel operate under a 5 year fixed contract with Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell , the fixed period ending April 2022. In December 2020, the company entered into a new three year fixed contract with Brazil Shipping I Limited, the newly agreed contracts are schedule to commence in 2023.

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

3 Bank deposits

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



4 Fixed Assets

<u>Vessel</u>	2020	2019
Historical value 1.1.	1 078 362 222	1 078 362 222
Accumulated depreciation 1.1.	125 355 616	82 362 832
Book value 1.1.	953 006 606	995 999 390
Additions/Disposals	0	0
Annual depreciation	42 993 135	42 992 784
Book value 31.12.	910 013 471	953 006 606

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

<u>Dry-docking</u>	2020	2019
Capitalised dry-docking	23 809 000	23 809 000
Accumulated depreciation dry-docking 1.1.	13 663 719	8 981 283
Capitalised dry-docking 1.1.	10 145 281	14 827 717
Delivered new building	98 476	0
Annual depreciation	4 725 765	4 682 436
Book value 31.12.	5 517 992	10 145 281

Total book value vessel 31.12.	915 531 463	963 151 887
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5 Mortgage Debt and Financial Instruments

31.12.2020			Rate as at	NOK
	USD	Historical rate	31.12.	
USD-loan	77 136 000	8,3105	8,3105	641 038 728
Deferred debt issuance				-1 631 734
				<u>639 406 994</u>
Current portion:				
USD-loan	5 060 000			42 051 130
Deferred debt issuance				-1 502 170
				<u>40 548 960</u>

31.12.2019			Rate as at	NOK
	USD	Historical rate	31.12.	
USD-loan	82 196 000	8,3105	8,3105	683 089 858
Deferred debt issuance				-3 191 452
				<u>679 898 406</u>
Current portion:				
USD-loan	5 060 000			42 051 130
Deferred debt issuance				-1 559 714
				<u>40 491 416</u>

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

The estimated outstanding debt per 31.12.2025 is USD 52 million.



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

Future income flows from anticipated fixed contracts in USD exceed debt in USD. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate. Per 31.12.2020 the not recorded foreign exchange loss (i.e. off-balance) is NOK 18 million compared to a loss of NOK 42 million as per 31.12.2019.

Security for the loan is made through a first priority in the vessel, transportation of income, pledged bank deposit, factoring agreement, pledged shares in the company and guarantees from the owner.

Book value of mortgaged assets is NOK 948 million (NOK 994 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 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 90 million. Mark to market loss on interest swaps have not been taken into account with USD 4.3 million (loss of USD 0.7 million last year). Booked value of acquired interest swaps is not taken into account on the calculation of gain/loss mark to market gain interest swaps not booked. Inefficient part is taken into account with a loss of USD 0.7 million.

Acquired interest swaps

	2020	2019
Book value 01.01.	2 372 827	3 506 445
Amortization	1 136 724	1 133 618
Book value 31.12.	<u>1 236 103</u>	<u>2 372 827</u>

6 Financial Income and -Expenses

	2020	2019
Financial Income:		
Other interest income	68 997	462 546
Total financial income	<u>68 997</u>	<u>462 546</u>
Financial expenses:		
Inefficient part of interest rate swap	6 117 519	0
Interest expenses	33 688 733	31 445 336
Guarantee cost from related parties	3 619 505	3 574 674
Other financial expenses	315 943	273 324
Total financial expenses	<u>43 741 700</u>	<u>35 293 334</u>



7 Balances with related parties

	<u>2020</u>	<u>2019</u>
<u>Accounts payable</u>		
Knutsen OAS Management AS	0	1 589
KNOT Shuttle Tankers 35 AS	1 264	0
Knutsen OAS Crewing AS	46 750	0
KNOT Management AS	138 338	161 417
Knutsen OAS Shipping AS	1 910 327	604 590
	<u>2 096 679</u>	<u>767 596</u>
<u>Receivables</u>		
KNOT Management AS	1 440 748	1 128 467
Knutsen OAS Crewing AS	0	506 791
	<u>1 440 748</u>	<u>1 635 258</u>

8 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>2020</u>	<u>2019</u>
Auditors remuneration (excl. VAT):		
Audit	37 638	36 033
Tax advice	0	0
Other services besides audit	0	0
	<u>37 638</u>	<u>36 033</u>

9 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	243 702 987	61 477 261	305 280 248
Extraordinary dividend paid-out	0	-17 775 800	-57 562 560	-75 338 360
Result for the year	0	0	63 648 683	63 648 683
Equity 31.12.	<u>100 000</u>	<u>225 927 187</u>	<u>67 563 384</u>	<u>293 590 571</u>

Share capital consist of 100 shares à NOK 1,000, all held by KNOT Shuttle Tankers AS.

The company is controlled 100% by KNOT Offshore Partners LP. Accounting for the Group can be obtained from the website, <http://knotoffshorepartners.com/>.

10 Shares Owned by Board Members and Affiliates

Trygve Seglem controls TS Shipping Invest AS, which owns 50 % of the company Knutsen NYK Offshore Tankers AS, which controls 27,84% of KNOT Offshore Partners LP.



11 Tax

The company is taxed based on the shipping tax regime. This means that companies are not taxed on the basis of its operating income. However it is calculated an annual tax of 22% on the company's net financial income. At the same time companies within the tonnage tax scheme will have to pay a tonnage tax based on the size of the company's operated vessels, which in 2020 amounted to NOK 156 174 (NOK 156 174 in 2019). Tonnage tax is classified as an operating expense.

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

	<u>31.12.2020</u>	<u>Change</u>	<u>31.12.2019</u>
Unrealized interest rate swaps	6 117 519	6 117 519	0
Deductibel interest carried forward	-6 944 695	0	-6 944 695
Loss carried forward	-39 122 797	-14 668 152	-24 454 645
Basis for deferred tax (benefit)	<u>-39 949 973</u>	<u>-8 550 633</u>	<u>-31 399 340</u>
Deferred tax (benefit)	<u>0</u>	<u>0</u>	<u>0</u>

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

Taxable result tonnage tax scheme:

	<u>2020</u>	<u>2019</u>
Net financial Items	-42 437 221	-33 338 610
Non-taxable currency gain	-1 398 745	-1 518 234
Non-deductable interest	23 050 295	33 624 718
Unrealized interest rate swaps	6 117 519	0
Taxable income before loss carried forward	<u>-14 668 152</u>	<u>-1 232 127</u>
Loss carried forward	14 668 152	1 232 127
Taxable income	<u>0</u>	<u>0</u>
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	<u>0</u>	<u>0</u>

12 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from related parties.

	<u>2020</u>	<u>2019</u>
Grants crew expenses	3 689 870	2 422 195

13 Inventories

Inventories refer to lube oil and stores as per 31.12.



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 25 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 25 AS, which comprise the balance sheet as at 31 December 2020, 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 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

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,

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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, 10 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report - KNOT Shuttle Tankers 25 AS

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Johan Nordby

Statsautorisert revisor

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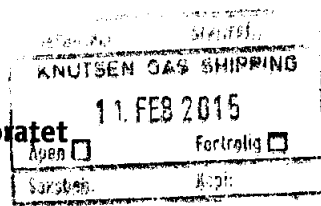
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Skattedirektoratet



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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