



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 750 326
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 31 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

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: 27.02.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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	2022	2021
RESULTATREGNSKAP			
Inntekter			
Freight income	1	157 300 124	120 457 420
Other income			253 680
Sum inntekter		157 300 124	120 711 100
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		2 090 998	1 516 036
Voyage related expenses			1 995 661
Crew-hire	2	25 205 393	24 167 608
Ordinary depreciation	3	39 702 642	37 250 763
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3		
Other operating expenses		15 852 848	14 932 274
Administration	2	7 155 058	8 144 973
Sum kostnader		90 006 939	88 007 315
Driftsresultat		67 293 184	32 703 785
Finansinntekter og finanskostnader			
Financial income	4	827 506	33
Foreign exchange gain/loss		-440 665	-655 653
Sum finansinntekter		386 841	-655 619
Financial expenses	4	37 720 352	28 681 929
Sum finanskostnader		37 720 352	28 681 929
Netto finans		-37 333 511	-29 337 548
Ordinært resultat før skattekostnad		29 959 673	3 366 238
Taxes	5		
Ordinært resultat etter skattekostnad		29 959 673	3 366 238
Årsresultat		29 959 673	3 366 238
Årsresultat etter minoritetsinteresser		29 959 673	3 366 238



Resultatregnskap

Beløp i: NOK	Note	2022	2021
Totalresultat		29 959 673	3 366 238



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	1, 3	874 691 272	911 347 890
Vessel under construction	3		
Sum varige driftsmidler		874 691 272	911 347 890
Sum anleggsmidler		874 691 272	911 347 890
Omløpsmidler			
Varer			
Inventories	6	2 862 463	3 050 980
Sum varer		2 862 463	3 050 980
Fordringer			
Receivables		42 550 554	37 775 183
Other short-term receivables		1 247 165	1 108 481
Konsernfordringer		2 666 963	10 025
Krav på innbetaling av selskapskapital		48 961	82 698
Sum fordringer		46 513 643	38 976 386
Bankinnskudd, kontanter og lignende			
Bank deposits	7	52 903 893	22 371 908
Sum bankinnskudd, kontanter og lignende		52 903 893	22 371 908
Sum omløpsmidler		102 279 998	64 399 274
SUM EIENDELER		976 971 270	975 747 164

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

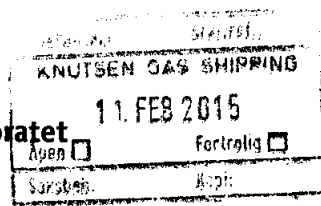


Balanse

Beløp i: NOK	Note	2022	2021
Share capital	8	100 000	100 000
Annen innskutt egenkapital		149 393 031	149 393 031
Sum innskutt egenkapital		149 493 031	149 493 031
Opptjent egenkapital			
Other equity		33 325 911	3 366 238
Sum opptjent egenkapital		33 325 911	3 366 238
Sum egenkapital	8, 9	182 818 942	152 859 269
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	677 798 657	721 150 208
Other non-current liabilities	11	72 648 166	63 439 701
Sum annen langsiktig gjeld		750 446 823	784 589 909
Sum langsiktig gjeld		750 446 823	784 589 909
Kortsiktig gjeld			
Leverandørgjeld		1 229 475	3 236 760
Tax payable	5		
Kortsiktig konserngjeld		1 617 626	4 870 653
Accrued interest		6 689 805	3 986 471
Payables to related parties		980 355	1 101 537
Other current liabilities		33 188 243	25 102 565
Sum kortsiktig gjeld		43 705 505	38 297 986
Sum gjeld		794 152 328	822 887 895
SUM EGENKAPITAL OG GJELD		976 971 270	975 747 164



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

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Admincontrol

List of Signatures Page 1/1

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Name	Method	Signed at
Domyo, Takashi	BANKID	2023-02-24 12:28 GMT+01
Seglem, Trygve	BANKID	2023-02-24 11:52 GMT+01
Dahl, Karl Gerhard B	BANKID	2023-02-24 08:56 GMT+01



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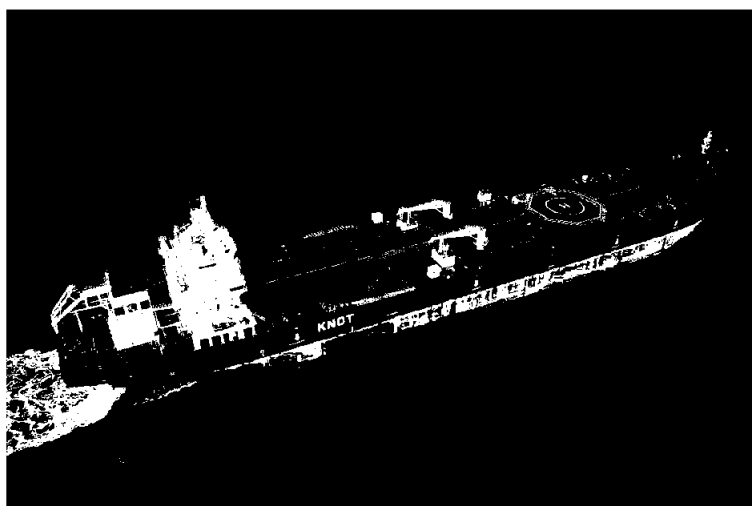
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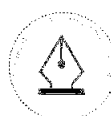
KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 31 AS

Annual Report 2022



M/T “ Tuva Knutsen ”



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KNOT SHUTTLE TANKERS 31 AS

REPORT OF THE BOARD OF DIRECTORS 2022

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 a 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 157 300 124 in 2022 (NOK 120 711 100 in 2021). The operating result for KNOT Shuttle Tankers 31 AS was NOK 67 293 184 in 2022 compared to NOK 32 703 785 in 2021. After net-financial expenses of NOK 37 333 511 in 2022, against a net financial expense of NOK 29 337 548 in 2021, the result for the year was NOK 29 959 673 in 2022 compared to NOK 3 366 238 in 2021.

The Board of Directors proposes transferring the profit to other equity. The equity-share as of 31.12.2022 was 19 %, compared to 16 % per 31.12.2021.

Total cash flow from operational activities was NOK 83 121 578 in 2022, compared to NOK 38 316 904 from operation in 2021. The liquidity position was NOK 52 903 893 as per 31.12.2022 compared to NOK 22 371 908 as per 31.12.2021. The company's ability to finance its investments is good. The company has secured 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 2022 USD 78 million in addition to the seller's credit of with book value of USD 7.3 million.

The company's short-term debts per 31.12.2022 were 5.5 % of total debt (4.7 % in 2021).

Total capital was by the end of the year NOK 976 971 270, compared to NOK 975 747 164 the year before.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since most of the company's operating expenses and financial costs are also denominated in USD, this limits the company's foreign exchange risk. The company has not entered into forward contracts 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 agreements in the amount of USD 40 million to reduce the company's interest rate risk.



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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 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 safety and operation of ships are increasing, and the company, the group and the manager KNOT Management AS are concerned with operational excellence. The company vessel consists of modern ships which are designed and engineered for safe, environmentally sound, and efficient operations. The ship is maintained and upgraded continuously to meet the demands and expectations from stakeholders. The company and the manager put significant resources into quality assurance and there are strict requirements for safety systems and the operation of the ship.

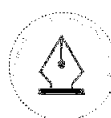
The operation of the vessel can affect the external environment through emissions of air and water and the company, and the manager therefore has a high focus on health, environment, and safety work. The company and manager are concerned with environmental considerations when implementing projects, and environmental considerations are included in all stages from planning and implementation from operation, maintenance, sorting and recycling. The manager and the crew focus on minimizing energy consumption and reducing the pollution from energy generation on the vessel from the daily operation. 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. There have been no accidents linked to operations that have had serious consequences for crew, the environment, or assets in 2022.

The company has no employees and thus no working environment. The company aims to be a workplace where there is no discrimination related to gender, ethnicity, religion, or disability. The board of directors considers the working conditions satisfactory. The company aims to avoid gender discrimination regarding salary, promotion and recruiting. The members of the Board of Directors are all men. There have not been taken out any board of directors' liability insurance.

The company and the other companies in the Norwegian part of the group regularly carries out risk-based due diligence assessments in accordance with the obligations pursuant to the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (LOV-2021-06-18-99) section 4. The due diligence assessments cover the operations in the company. The account for these due diligence assessments and other obligations pursuant to the Act's section 5 will be included in a report here www.knutsenoas.com within 30 June 2023.

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 2022, the long-term financing and the long-term employment of the vessel the Board of Directors of KNOT Shuttle Tankers 31 AS expects 2023 to be a satisfactory year for the vessel and the company.



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Haugesund, February 24, 2023

Trygve Seglem
Chairman of the Board

Takashi Domyo
Member of the Board

Karl Gerhard Bråstein Dahl
Member of the Board



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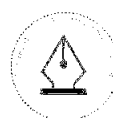
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KNOT Shuttle Tankers 31 AS

Profit & Loss Account

	<u>Note</u>	2022	2021
<u>Operating Income</u>			
Freight income	1	157 300 124	120 457 420
Other income		0	253 680
<i>Total Operating income</i>		<u>157 300 124</u>	<u>120 711 100</u>
<u>Operating Expenses</u>			
Commissions		2 090 998	1 516 036
Voyage related expenses		0	1 995 661
Crew-hire	2	25 205 393	24 167 608
Other operating expenses		15 852 848	14 932 274
Administration	2	7 155 058	8 144 973
<i>Total Operating Expenses</i>		<u>50 304 297</u>	<u>50 756 552</u>
Ordinary depreciation	3	39 702 642	37 250 763
<i>Operating Result</i>		<u>67 293 184</u>	<u>32 703 785</u>
<u>Financial Income and Expenses</u>			
Financial income	4	827 506	33
Foreign exchange gain/loss		-440 665	-655 653
Financial expenses	4	-37 720 352	-28 681 929
<i>Net Financial Items</i>		<u>-37 333 511</u>	<u>-29 337 548</u>
<i>Result before taxes</i>		<u>29 959 673</u>	<u>3 366 238</u>
Taxes	5	0	0
<i>Result for the year</i>		<u>29 959 673</u>	<u>3 366 238</u>



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

<u>Assets</u>	<u>Note</u>	2022	2021
Fixed assets			
Vessel	1, 3	874 691 272	911 347 890
<i>Total Fixed Assets</i>		<u>874 691 272</u>	<u>911 347 890</u>
Current Assets			
Inventories	6	2 862 463	3 050 980
Receivables		42 550 554	37 775 183
Other short-term receivables		1 247 165	1 108 481
Current receivables group		2 666 963	10 025
Receivables from related parties		48 961	82 698
Bank deposits	7	52 903 893	22 371 908
<i>Total Current Assets</i>		<u>102 279 998</u>	<u>64 399 274</u>
TOTAL ASSETS		<u>976 971 270</u>	<u>975 747 164</u>



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

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2022	2021
<u>Equity</u>			
Share capital	8	100 000	100 000
Other paid-in equity		149 393 031	149 393 031
<i>Total capital paid-in</i>		<u>149 493 031</u>	<u>149 493 031</u>
Other equity		33 325 911	3 366 238
<i>Total Shareholders' Equity</i>	8, 9	<u>182 818 942</u>	<u>152 859 269</u>
Liabilities to financial institutions	10	677 798 657	721 150 208
Other non-current liabilities	11	72 648 166	63 439 701
<i>Total Long Term Liabilities</i>		<u>750 446 823</u>	<u>784 589 909</u>
<u>Current Liabilities</u>			
Accounts payable		1 229 475	3 236 760
Accrued interest		6 689 805	3 986 471
Current liabilities group		1 617 626	4 870 653
Payables to related parties		980 355	1 101 537
Other current liabilities		33 188 243	25 102 565
<i>Total Current Liabilities</i>		<u>43 705 505</u>	<u>38 297 986</u>
<i>Total liabilities</i>		<u>794 152 328</u>	<u>822 887 895</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>976 971 270</u>	<u>975 747 164</u>

Haugesund, February 24, 2023,

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 31 AS

CASHFLOW 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.

	2022	2021
Result before tax	29 959 673	3 366 238
+ Ordinary depreciation	39 702 642	37 250 763
-/+ Profit/loss on foreign exchange liabilities to fin. institutions	4 521 495	-640 142
-/+ Profit/loss on foreign exchange seller's credit	7 701 559	1 888 487
+ Financial expenses - liabilities to financial institutions	1 670 523	1 569 142
+ Interests other non-current liabilities	1 506 906	1 225 826
= Total generated from operations	85 062 798	44 660 314
+ Net received on current assets	-7 348 739	-40 580 471
+ Net received on current liabilities	5 407 519	34 237 061
Net cashflow from operations	83 121 578	38 316 904
<u>Cashflow from investments</u>		
Payments for vessel under construction and conversion	-3 046 024	-776 706 178
Net cashflow from investments	-3 046 024	-776 706 178
<u>Cashflow from financing</u>		
Proceeds from liabilities to financial institutions	0	758 906 619
Paid debt issuance costs	48 981	-5 522 261
Repayment of liabilities to financial institutions	-49 592 550	-33 163 150
Seller Credit, net change	0	60 325 388
Dividend paid-out	0	-28 431 480
Net cashflow from financing	-49 543 569	752 115 116
Net cashflow for the year	30 531 985	13 725 842
+ Bank deposits per 01.01.	22 371 908	8 646 066
= Bank deposits per 31.12.	52 903 893	22 371 908



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KNOT Shuttle Tankers 31 AS

Notes to the Financial Statement 31.12.2022

Accounting Principles

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

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.

Transactions in Foreign Currency

Transactions in foreign currency is recorded at the rate of exchange on the day the transaction is carried out. Assets and liabilities in foreign currencies, that are not used for hedging purposes, are valued at the exchange rate on the date of the balance. Time charter hire in foreign currency for a calendar month is recorded at the rate of exchange on the first day with contract revenue of the month.

Related party transactions

The Company has undertaken several agreements and transactions with group companies and/or related parties. The level of fees are based on market terms and are in accordance with the arm's length principle. Ship management fee includes services like technical management, crewing management, IT and energy management.

1 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. with expected area of operation offshore Brazil. The time-charter contract started on 16 February 2021.

The income from the time charter contract is received in united states dollars, and is recorded in profit and loss on a straight line basis over the lease term, net of hedging impact.

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

2 Employees and remuneration

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 crewing companies in accordance with separate crewing agreements.

	<u>2022</u>	<u>2021</u>
Grants crew expenses	303 726	676 555

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>2022</u>	<u>2021</u>
Audit	74 000	21 320
Other services besides audit	0	10 000
	<u>74 000</u>	<u>31 320</u>

3 Fixed Assets

Yard instalments paid on newbuildings and vessels under conversion 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), additions and upgrading beyond the yard contract regarding the individual contract and other expenses related to the construction or conversion of the vessel are recorded on the fixed asset under construction/conversion.

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.



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Dry-docking expenses, in connection with certificate renewal and class of the vessel, are capitalised and expensed over the period till the next class renewal with 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.

<u>Vessel under construction and conversion</u>	2022	2021
Book value 01.01.	0	171 892 475
Additions	0	776 706 178
Delivery of vessel for operation	0	-948 598 653
Book value 31.12.	0	0

<u>Vessel</u>	2022	2021
Historical value 01.01.	920 521 140	0
Accumulated depreciation and impairment 01.01.	32 187 606	0
Book value 01.01.	888 333 534	0
Delivery of vessel for operation	0	920 521 140
Additions	3 046 024	0
Annual depreciation	34 066 470	32 187 606
Book value 31.12.	837 313 089	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.

<u>Dry-docking</u>	2022	2021
Capitalised dry-docking	28 077 513	0
Accumulated depreciation dry-docking 1.1.	5 063 157	0
Capitalised dry-docking 1.1.	23 014 356	0
Delivery of vessel for operation - allocation of cost	0	28 077 513
Annual depreciation	5 636 172	5 063 157
Book value 31.12.	17 378 184	23 014 356
Total book value vessel 31.12.	874 691 272	911 347 890

4 Financial Income and -Expenses

<u>Financial Income:</u>	2022	2021
Other interest income	827 506	33
<u>Financial Expenses:</u>		
Interest expenses to group companies	55 103	56 003
Interest expenses	32 914 718	23 042 754
Other financial expenses	493 981	175 200
Financial expenses to group companies	0	1 734 374
Guarantee fee to group companies	4 256 551	3 673 597
Total financial expenses	37 720 352	28 681 929

5 Tax

The company qualify for and have elected to be taxed based on 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 an annual tax set annually by the parliament related to the tonnage owned by the company. The limited part of the profit that is taxable are taxed under the standard Norwegian company tax that for the accounting period 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.

Specification on the temporary differences:

	31.12.2022	Change	31.12.2021
Loss carried forward	-25 686 611	5 350 927	-20 335 684
Temporary differences	-25 686 611	5 350 927	-20 335 684
Calculated deferred tax	5 651 054	-1 177 204	4 473 850
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.



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Tax cost

	2022	2021
Net financial Items	-37 333 511	-29 337 548
Non-taxable currency gain	666 198	771 230
Non-deductable interest	31 267 405	16 243 231
Deductable financial items	48 981	-1 130 873
Taxable income before loss carried forward	-5 350 927	-13 453 960
Loss carried forward	-5 350 927	-13 453 960
Taxable income	0	0
Tax payable	0	0
Change deferred tax/(tax benefit)	0	0
Tax calculated	0	0
Tonnage tax expenses under operating expenses	143 577	158 841

6 Inventories

Specification of inventories per 31.12.

	2022	2021
Lube oil	2 862 463	3 050 980

7 Bank deposits

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

8 Equity

Specification of the equity per 31.12.

	Share capital	Additional paid-in capital	Other equity	Total equity
Equity 01.01.	100 000	149 393 031	3 366 238	152 859 269
Result for the year	0	0	29 959 673	29 959 673
Equity 31.12.	100 000	149 393 031	33 325 911	182 818 942

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.

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 Mortgage Debt and Financial Instruments

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.

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 object. The realized foreign exchange gain and - losses are booked together with the hedging object under the the freight income. We book realized- and unrealized foreign exchange gain/-loss for any uneffective part of the hedging over financial items.

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.

	Currency	Outstanding currency amount	Hedge accounting rate 31.12.	Accounting balance	2022	2021
Mortgage debt	USD	78 095 510	8,7077	680 032 272	725 103 328	
Debt issuance cost				-2 233 615	-3 953 120	
Liabilities to financial institutions				677 798 657	721 150 208	



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The company has aimed to reduce the market risk by entering financial contracts. Hedge accounting has been applied for revenue in foreign currency - cash flow hedge. Loans in foreign currencies are used as hedging instrument. The profit and loss impact of the hedging instrument 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 revenue contracts in the same currency as the financing exceed the debt at the balance sheet date. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate.

	2022	2021
Foreign exchange gain/-loss not taken over profit and loss (i.e. off-balance):	-93 628 707	-10 708 716

Amounts due within 12 months of the balance sheet date:

Mortgage debt	45 071 055	45 071 055
Debt issuance cost	-1 684 441	-1 699 516
Liabilities to financial institutions	43 386 614	43 371 539

Repayment profile:

0 - 12 months	5 176 000	5 176 000
13 - 24 months	5 176 000	5 176 000
25 - 36 months	5 176 000	5 176 000
37 - 48 months	5 176 000	5 176 000
49 - 60 months	5 176 000	5 176 000
After 60 months	52 215 510	57 391 510
	78 095 510	83 271 510

The exchange rate at the year-end	USDNOK	9,9066	8,8363
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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 875 million.

The company has entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. Hedge accounting has been applied for revenue and expenses in interest rate swap contracts - cash flow hedge. Fixed rate interest rate swaps are used as hedging instrument. The profit and loss impact of the hedging instrument is presented together with the hedged risk. This implies that realized gains/-losses on the interest rate swaps are presented as an reduction/increase of Interest expenses.

Future interest payments on the floating rate liabilities to financial institutions exceed the interest rate swaps notional amounts at the balance sheet date. Therefore it is not recognized mark to market gains/losses on fixed interest rate swaps on the basis of the year-end market interest rates.

	Currency	2022	2021
Outstanding fixed interest rate swaps	USD	40 367 647	43 014 706
Mark to market valuation	USD	3 091 669	-775 252

11 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.

	Currency	Outstanding currency amount	Accounting balance	
			2022	2021
Seller Credit Yard	USD	7 333 310	72 648 166	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 2022, the profit and loss account 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 2022 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, 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 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus Hegertun Birkeland
State Authorised Public Accountant (Norway)

Independent auditor's report – KNOT Shuttle Tankers 31 AS 2022

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Magnus Hegertun Birkeland

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