



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 921 065 698
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 34 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: Ja
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			
Driftsinntekter	2	18 124 183	
Kommisjoner		-11 333 585	
Other operating income		6 024	
Sum inntekter		6 796 622	
Kostnader			
Leie mannskap	9	11 130 308	
Ordinære avskrivninger skip	4	10 917 770	
Andre driftskostnader		14 813 405	139 575
Administrasjonskostnader	6	3 728 372	205 984
Sum kostnader		40 589 856	345 559
Driftsresultat		-33 793 234	-345 559
Finansinntekter og finanskostnader			
Finansinntekter	5	51 201	196 492
Agio/disagio		2 043 418	-1 567 814
Sum finansinntekter		2 094 619	-1 371 323
Finanskostnader	5	10 276 137	8 079 645
Sum finanskostnader		10 276 137	8 079 645
Netto finans		-8 181 517	-9 450 967
Ordinært resultat før skattekostnad		-41 974 751	-9 796 526
Skattekostnad	10		
Ordinært resultat etter skattekostnad		-41 974 751	-9 796 526
Årsresultat		-41 974 751	-9 796 526
Årsresultat etter minoritetsinteresser		-41 974 751	-9 796 526
Totalresultat		-41 974 751	-9 796 526



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip	4	959 302 023	385 575 357
Sum varige driftsmidler		959 302 023	385 575 357
Sum anleggsmidler		959 302 023	385 575 357
Omløpsmidler			
Varer			
Beholdninger	13	1 158 453	
Sum varer		1 158 453	
Fordringer			
Debitorer	12	2 869 993	1 656 717
Konsernfordringer	12		178 461 505
Sum fordringer		2 869 993	180 118 222
Bankinnskudd, kontanter og lignende			
Bank	3	10 190 504	19 827 051
Sum bankinnskudd, kontanter og lignende		10 190 504	19 827 051
Sum omløpsmidler		14 218 951	199 945 273
SUM EIENDELER		973 520 973	585 520 629
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital 1 000 á kr 30		30 000	30 000
Overkurs		9 930	9 930
Annen innskutt egenkapital		189 058 013	168 709 014



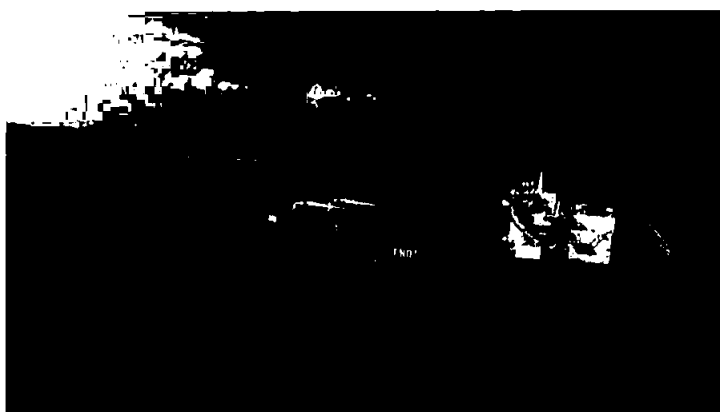
Balanse

Beløp i: NOK	Note	2020	2019
Sum innskutt egenkapital		189 097 943	168 748 944
Other equity			
Sum egenkapital	7, 8	189 097 943	168 748 944
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	11, 11	772 327 276	236 051 283
Langsiktig konserngjeld	12		178 461 505
Sum annen langsiktig gjeld		772 327 276	414 512 788
Sum langsiktig gjeld		772 327 276	414 512 788
Kortsiktig gjeld			
Leverandørgjeld	12	6 660 320	172 315
Kortsiktig konserngjeld	12		
Påløpne renter		604 198	1 793 873
Annen kortsiktig gjeld		4 831 236	292 709
Sum kortsiktig gjeld		12 095 754	2 258 897
Sum gjeld		784 423 030	416 771 685
SUM EGENKAPITAL OG GJELD		973 520 973	585 520 629



KNOT Shuttle Tankers 34 AS

Annual Report 2020



M/T "Tove Knutsen"

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 34 AS

REPORT OF THE BOARD OF DIRECTORS 2020

KNOT Shuttle Tankers 34 AS owns one 153,000 DWT Suez-max DP2 shuttle tanker, M/T Tove Knutsen, delivered from Hyundai Heavy Industries Co., Ltd. in South Korea 28 September 2020.

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 vessel has been chartered to Equinor Shipping Inc., an Equinor ASA company, from 27 November 2020 for operation offshore Brazil on a seven-year time charter agreement with two options of two years followed by 9 options of one year in charters option.

Result for the year

The operating result for KNOT Shuttle Tankers 34 AS was minus NOK 33 793 234 in 2020 compared to minus NOK 345 559 in 2019. After net financial loss of NOK 8 181 517 in 2020, loss of NOK 9 450 967 in 2019, the loss of the year was NOK 41 974 751 in 2020 compared to a loss of NOK 9 796 526 in 2019.

The Board of Directors propose to cover the loss with other paid-in capital.

Total cash flow for operational activities was minus NOK 27 618 744, minus NOK 11 023 598 in 2019. The liquidity position was NOK 10 190 504 as per 31.12.2020 compared to NOK 19 827 051 as per 31.12.2019. The company's ability to finance its investments is good.

The company's short-term debts per 31.12.2020 was 1.5 % of total debt (0.54 % in 2019).

Total capital was by the end of the year NOK 973 520 973, NOK 585 520 629 at de end of 2019. The equity-share as of 31.12.2020 was 19 % compared to 29 % 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 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 financial accounts are made on the assumption of a going concern. The Board of Directors confirms the conditions for continued operation. The Board of the Directors is of the opinion that the financial statements give a true and fair reflection of the company's assets and liabilities as well as financial strength and profitability.

The environment safety and quality control



The requirements for environment and safety in the operations of vessels are increasing, and both the Company, the manager and the Knutsen NYK Offshore Tankers Group emphasize operational quality.

The Company and the manager allocate considerable resources to quality control, and there are strict requirements to safety and the operational systems of vessels. There are no indications that the company pollutes the external environment significantly, and the board of directors considers the working conditions as satisfactory. All certificates are valid. The new-building will be certified in accordance with both the ISM and ISPS codes.

The company have no employees and thus no working environment. The company aims to be workplace where there is no discrimination related to gender, ethnicity, religion or disability. The company aims to avoid gender discrimination regarding salary, promotion and recruiting. The members of the Board of Directors are all men.


Prospects

M/T Tove Knutsen is operated on a long-term charter with Equinor Shipping Inc. where the fixed period ends in the 4th quarter of 2027. The charterer and trading area is well known for the manager and the Board of Directors. Based on the operation of the vessel in 2021, the long term financing of the vessel and the long-term charter-party of the vessel, the Board of Directors of KNOT Shuttle Tankers 34 AS expects 2021 to be a satisfactory year for the vessel and the company.

Haugesund, March 10, 2020



Trygve Seglen
Chairman of the Board



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 34 AS

Profit & Loss Account

	<u>Note</u>	2020	2019
<u>Operating Income</u>			
Operating income	2	18 124 183	0
Commissions		-11 333 585	0
Other operating income		6 024	0
<i>Total Operating income</i>		<u>6 796 622</u>	<u>0</u>
<u>Operating Expenses</u>			
Crew-hire	9	11 130 308	0
Other operating expenses		14 813 405	139 575
Administration	6	3 728 372	205 984
<i>Total Operating Expenses</i>		<u>29 672 086</u>	<u>345 559</u>
Ordinary depreciation	4	10 917 770	0
<i>Operating Result</i>		<u>-33 793 234</u>	<u>-345 559</u>
<u>Financial Income and Expenses</u>			
Financial income	5	51 201	196 492
Foreign exchange gain/loss		2 043 418	-1 567 814
Financial expenses	5	-10 276 137	-8 079 645
<i>Net Financial Items</i>		<u>-8 181 517</u>	<u>-9 450 967</u>
<i>Result before taxes</i>		<u>-41 974 751</u>	<u>-9 796 526</u>
Taxes	10	0	0
<i>Result for the year</i>		<u>-41 974 751</u>	<u>-9 796 526</u>




KNOT Shuttle Tankers 34 AS
Balance Sheet as of 31. December

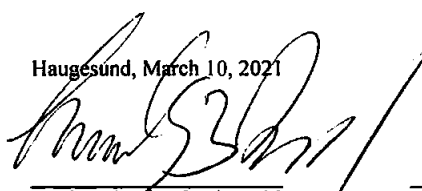
<u>Assets</u>	<u>Note</u>	2020	2019
<u>Fixed assets</u>			
Vessel	4	959 302 023	385 575 357
<i>Total Fixed Assets</i>		<u>959 302 023</u>	<u>385 575 357</u>
<u>Current Assets</u>			
Inventories	13	1 158 453	0
Receivables	12	2 869 993	1 656 717
Group contribution		0	178 461 505
Bank deposits	3	10 190 504	19 827 051
<i>Total Current Assets</i>		<u>14 218 951</u>	<u>199 945 273</u>
TOTAL ASSETS		<u>973 520 973</u>	<u>585 520 629</u>



KNOT Shuttle Tankers 34 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2020	2019
<u>Equity</u>			
Share capital		30 000	30 000
Share premium		9 930	9 930
Other paid-in capital		189 058 013	168 709 014
<i>Total capital paid-in</i>		<u>189 097 943</u>	<u>168 748 944</u>
Other equity		0	0
<i>Total Shareholders' Equity</i>	7, 8	<u>189 097 943</u>	<u>168 748 944</u>
<u>Long Term Debt</u>			
Mortgage debt	11	772 327 276	236 051 283
Debt to group companies	12	0	178 461 505
<i>Total Long Term Debt</i>		<u>772 327 276</u>	<u>414 512 788</u>
<u>Current Liabilities</u>			
Accounts payable	12	6 660 320	172 315
Accrued interest		604 198	1 793 873
Other current liabilities		4 831 236	292 709
<i>Total Current Liabilities</i>		<u>12 095 754</u>	<u>2 258 897</u>
<i>Total liabilities</i>		<u>784 423 030</u>	<u>416 771 685</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>973 520 973</u>	<u>585 520 629</u>


Frygve Seglem
chairman of the board

Haugesund, March 10, 2021

Karl Gerhard Bråstein Dahl
member of the board


Takashi Domyo
member of the board



KNOT Shuttle Tankers 34 AS

CASHFLOW STATEMENT

	2020	2019
Total generated from operations 1)	-35 083 870	-9 796 526
Change in working capital	7 465 126	-1 227 072
Net cashflow from operations	-27 618 744	-11 023 598
Cashflow from investments		
Invested in vessel under construction	-583 553 731	-383 340 567
Net cashflow from investments	-583 553 731	-383 340 567
Cashflow from financing		
Net group contribution	240 785 255	100 000
Proceeds from long-term debt	608 707 347	235 670 562
Paid installments mortgage debt	-69 103 068	0
Payment of debt issuance cost	-392 102	-8 781 696
Loan from group companies, net change	-178 461 505	178 398 017
Net cashflow from financing	601 535 927	414 168 579
Net cashflow for the year	-9 636 547	19 804 414
+ Cash balance per 31.12.2018	19 827 051	22 637
= Cash Balance per 31.12.	10 190 504	19 827 051
1) Generated from operations:		
Result before tax	-41 974 751	-9 796 526
+Amortized debt issuance cost	454 354	0
+Ordinary depreciation	10 917 770	0
+Realized profit/loss on foreign exchange mortgage debt	-4 481 244	0
= Total generated from operations	-35 083 870	-9 796 526



KNOT Shuttle Tankers 34 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 for small business 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 the charter party is in USD, and income is recorded to the Profit & Loss account when actually earned

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.

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.

Inventory

Inventories are valued according to the net realisable value principle.



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.

The company have agreed with KNOT Management AS to terminate the commercial management agreement. In consideration of the termination, the company paid KNOT Management AS a consideration in the amount of USD 1 206 712.



2 Contracts

The company has secured employment of the vessel M/T Tove Knutsen, with a 7 year fix time charter contract with charterers option to extend the contract with 2 x 2 + 9 x 1 year options to Equinor Shipping Inc. from delivery under the contract 27th of November 2020.

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

3 Bank deposits

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

4 Fixed Assets

Vessel under construction

	<u>2020</u>	<u>2019</u>
Book value 01.01	385 575 357	60 195
Additions	584 644 436	385 515 162
Delivery new vessel	-970 219 793	0
Book value 31.12.	<u>0</u>	<u>385 575 357</u>

Vessel

	<u>2020</u>
Historical value 1.1.	0
Accumulated depreciation 1.1.	0
Book value 1.1.	0
Delivered new building	941 451 149
Annual depreciation	9 479 339
Book value 31.12.	<u>931 971 811</u>

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

Dry-docking

	<u>2020</u>
Capitalised dry-docking	0
Accumulated depreciation dry-docking 1.1.	0
Capitalised dry-docking 1.1.	0
Delivered new building	28 768 643
Annual depreciation	1 438 431
Book value 31.12.	<u>27 330 212</u>
Total book value vessel 31.12.	<u>959 302 023</u>



5 Financial Income and -Expenses

	<u>2020</u>	<u>2019</u>
Financial Income:		
Interest income from group companies	15 408	4 528
Other interest income	35 794	191 964
Total financial income	<u>51 201</u>	<u>196 492</u>
Financial expenses:		
Interest expenses to group/related parties	2 297 683	8 069 572
Interest expenses	6 887 615	0
Guarantee cost from related parties	1 023 004	0
Other financial expenses	67 834	10 073
Total financial expenses	<u>10 276 137</u>	<u>8 079 645</u>

6 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>2020</u>	<u>2019</u>
Audit	58 138	0
Tax advice	0	0
Other services besides audit	0	0
	<u>58 138</u>	<u>0</u>

7 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Additional paid-in capital	Other equity	Total equity
Equity 01.01	30 000	9 930	168 709 014	0	168 748 944
Group contribution, net	0	0	62 323 750	0	62 323 750
Result for the year	0	0	-41 974 751	0	-41 974 751
Equity 31.12.	<u>30 000</u>	<u>9 930</u>	<u>189 058 013</u>	<u>0</u>	<u>189 097 943</u>

Share capital consist of 1 000 shares à NOK 30.

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

8 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.



9 Employees

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

<u>Specification:</u>	<u>2020</u>	<u>2019</u>
Grants crew expenses	-324 651	0

10 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 47 025. 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>
Loss carried forward	-16 356 598	8 409 342	-7 947 256
Basis for deferred tax (benefit)	-16 356 598	8 409 342	-7 947 256
Deferred tax (benefit)	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>2020</u>	<u>2019</u>
Net financial Items	-8 181 517	-9 450 967
Non-taxable currency gain	-1 151 979	1 032 229
Non-deductible interest	4 617 001	1 283 821
Deductible financial items	-3 692 847	-811 657
Interest deduction		
Taxable income before loss carried forward	-8 409 342	-7 946 575
Loss carried forward	-8 409 342	-7 946 575
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0



11 Mortgage Debt and Financial Instruments

<u>31.12.2020</u>	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	86 250 000	9,0386	9,0386	779 575 293
Debt issuance cost				<u>-7 248 017</u>
				772 327 276
Current portion USD-loan	4 367 088		9,0386	39 472 161
Current portion debt issuance cost				<u>-1 644 135</u>
				37 828 026
<u>31.12.2019</u>	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	26 732 833	9,1443	9,1443	244 452 258
Debt issuance cost				<u>-8 400 975</u>
				236 051 283

Estimated outstanding debt per year end 2025 is USD 64 million.

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

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 gain (i.e. off-balance) is NOK 43 million (gain of NOK 9 million per 31.12.2019).

Security for the loan is made through a first priority mortgage in the vessel, transportation of income and guarantees from the owner.

Book value of mortgaged assets is NOK 959 million (NOK 386 in 2019).

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 49 million. Mark to market loss on interest swaps have not been taken into account with USD 3.5 million. 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.



12 Balances with related parties

	<u>2020</u>	<u>2019</u>
<u>Receivables</u>		
KNOT Management AS	0	6 627
KNOT Shuttle Tankers 35 AS	0	583 480
	<u>0</u>	<u>590 107</u>
<u>Other long term liabilities</u>		
Knutsen NYK Offshore Tankers AS (Group in 2019)	<u>0</u>	<u>178 461 505</u>
<u>Accounts payable</u>		
Knutsen OAS Shipping AS	2 489 894	0
Knutsen NYK Offshore Tankers AS (Group in 2019)	329 773	0
Knutsen OAS Crewing AS	55 019	0
KNOT Management AS (Group in 2019)	1 067 689	53 806
	<u>3 942 375</u>	<u>53 806</u>

13 Inventories

Inventories refer to lube oil and stores as per 31.12.



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 34 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 34 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,

A member firm of Ernst & Young Global Limited

Perneo Dokumentnøkkel: O3XLA-SM3DD-DHF5F-12JUL-J2BB-5170N



Building a better
working world

2

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 34 AS

A member firm of Ernst & Young Global Limited

Perneo Dokumentnr: O3XLA-SM3DD-DHF5F-12JUL-J2BB-5170N



PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo"™ - sikker digital signatur.
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Johan Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5997-4-729076

IP: 84.211.xxx.xxx

2021-03-10 14:21:27Z



Penneo Dokumentnr: O3XLA-SM3DD-DHF5F-T2UL-J2BB-5170N

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validate>



Skatteetaten

TS SHIPPING INVEST AS
Postboks 2017
5504 HAUGESUND

Vår dato
13.02.2019

Din/Deres dato
11.01.2019

Saksbehandler
Henning Stokke

800 80 000
Skatteetaten.no

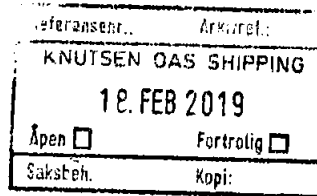
Din/Deres referanse
Petter M Opsal

Telefon
800 80 000

Org.nr
974761076

Vår referanse
2019/5238778

Postadresse
Postboks 9200 Grønland
0134 OSLO



Tillatelse til å utarbeide årsberetning og årsregnskap på engelsk språk

Vi viser til deres brev av 11. januar 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

- KNOT Shuttle Tankers 36 AS 921 657 595
- KNOT Shuttle Tankers 33 AS 920 610 455
- KNOT Shuttle Tankers 37 AS 921 657 633
- KNOT Shuttle Tankers 35 AS 821 065 852
- KNOT Shuttle Tankers 38 AS 921 684 789
- KNOT Shuttle Tankers 39 AS 921 684 762
- KNOT Shuttle Tankers 34 AS 921 065 698
- Knutsen OAS ML AS 920 992 153
- Norspan LNG 14 AS 921 118 546
- Norspan LNG 15 AS 921 968 450

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering selskapene nevnt ovenfor dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge 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

Fra søknaden gjengis:

TS Shipping Invest AS ønsker å omfatte flere av selskapene i konsernet til å kunne utarbeide regnskaper og årsberetning på engelsk fra og med regnskapsåret 2018. Alle selskapene i konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper.

Brukerne av regnskapene er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften (ansatte, kunder, leverandører etc.). Aksjonærstrukturen er begrenset. Noen av selskapene eies 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. De aller fleste av selskapenes kunder og leverandører og andre brukere har engelsk som sitt naturlige språk / forretningspråk. Dette gjelder også konsernets långivere.



Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om 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 er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapenes eierkrets er begrenset. I tillegg opererer selskapene i en internasjonal bransje, og arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Inger Helene Iversen
seniorrådgiver
Juridisk avdeling, næring
Skattedirektoratet

Henning Stokke

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Side 2 / 2