



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 821 065 852
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 35 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: 17.03.2023

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, 01.06.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Operating income	1		
Freight income	1	149 505 395	110 891 823
Gain from sale of vessel			13 504 358
Other income		5 587	13 149 521
Sum inntekter		149 510 982	137 545 702
Kostnader			
Crew-hire	2	29 948 150	45 877 273
Ordinary depreciation	3	42 495 412	56 384 188
Voyage related costs	1	3 176 099	13 274 729
Commissions		9 501 665	
Other operating expenses		21 847 089	25 902 807
Administration	2	7 557 225	12 012 130
Sum kostnader		114 525 640	153 451 128
Driftsresultat		34 985 342	-15 905 425
Finansinntekter og finanskostnader			
Financial income	4	6 181 253	16 495 490
Foreign exchange gain/loss		9 377 181	-2 943 841
Sum finansinntekter		15 558 434	13 551 649
Financial expenses	4	39 760 028	161 175 449
Sum finanskostnader		39 760 028	161 175 449
Netto finans		-24 201 594	-147 623 801
Ordinært resultat før skattekostnad		10 783 748	-163 529 226
Taxes	5		
Ordinært resultat etter skattekostnad		10 783 748	-163 529 226
Årsresultat		10 783 748	-163 529 226
Årsresultat etter minoritetsinteresser		10 783 748	-163 529 226



Resultatregnskap

Beløp i: NOK	Note	2022	2021
Totalresultat		10 783 748	-163 529 226



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	3	895 960 482	938 429 673
Vessel under construction	3		
Sum varige driftsmidler		895 960 482	938 429 673
Finansielle anleggsmidler			
Investering i datterselskap	8		17 914 436
Sum finansielle anleggsmidler			17 914 436
Sum anleggsmidler		895 960 482	956 344 109
Omløpsmidler			
Varer			
Inventories	6	2 471 707	2 597 148
Sum varer		2 471 707	2 597 148
Fordringer			
Receivables	11	5 646 842	89 080 176
Konsernfordringer		243 136	23 525
Sum fordringer		5 889 978	89 103 701
Bankinnskudd, kontanter og lignende			
Bank deposits	7	12 514 563	62 449 698
Sum bankinnskudd, kontanter og lignende		12 514 563	62 449 698
Sum omløpsmidler		20 876 247	154 150 546
SUM EIENDELER		916 836 729	1 110 494 656

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2022	2021
Egenkapital			
Innskutt egenkapital			
Share capital		30 000	30 000
Overkurs		9 930	9 930
Annen innskutt egenkapital		107 835 825	278 777 325
Sum innskutt egenkapital		107 875 755	278 817 255
Opptjent egenkapital			
Other equity		10 822 215	
Sum opptjent egenkapital		10 822 215	
Sum egenkapital	8, 9	118 697 969	278 817 255
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5	6 758	8 448
Sum avsetninger for forpliktelser		6 758	8 448
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	778 061 538	819 972 359
Langsiktig konserngjeld	11		
Sum annen langsiktig gjeld		778 061 538	819 972 359
Sum langsiktig gjeld		778 068 295	819 980 807
Kortsiktig gjeld			
Leverandørgjeld	11	3 610 082	6 753 638
Tax payable	5	1 690	2 112
Kortsiktig konserngjeld	11	6 294 109	20 719
Accrued interest		9 098 974	3 684 204
Other current liabilities		1 065 608	1 235 920
Sum kortsiktig gjeld		20 070 464	11 696 593
Sum gjeld		798 138 760	831 677 401
SUM EGENKAPITAL OG GJELD		916 836 729	1 110 494 656



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

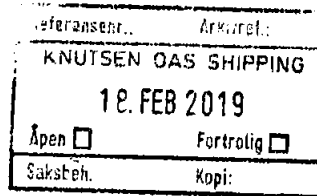
Din/Deres referanse
Petter M Opsal

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.

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List of Signatures Page 1/1

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Name	Method	Signed at
Seglem, Trygve	BANKID	2023-03-13 12:50 GMT+01
Domyo, Takashi	BANKID	2023-03-13 12:07 GMT+01
Dahl, Karl Gerhard B	BANKID	2023-03-13 11:37 GMT+01



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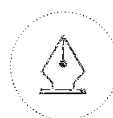


KNOT Shuttle Tankers 35 AS Annual Report 2022



M/T "Synnøve Knutsen"

KNOT
Offshore Partners LP



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KNOT SHUTTLE TANKERS 35 AS

REPORT OF THE BOARD OF DIRECTORS 2022

KNOT Shuttle Tankers 35 AS owns one 153,000 DWT suez-max DP2 shuttle tanker, M/T Synnøve Knutsen, delivered from Hyundai Heavy Industries Co., Ltd. in South Korea 22 October 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

KNOT Shuttle Tankers 35 AS merged in the group company KNOT Shuttle Tankers 28 GP AS in 2022, the merger was made based on the simplified rules internal in the group and on continued values in accounting and tax accounting with effect from 1 January 2022. The company has also liquified the subsidiary Luky KS in 2022. KNOT Shuttle Tankers 28 GP AS was the general partner with 10 % stake in Luky KS.

Luky KS owned two 1999 built shuttle tankers, MT Sallie Knutsen and MT Karen Knutsen. MT Sallie Knutsen was chartered out to Petrobras for operating in Brazil until January 2021. In January 2021, the partnership-chartered MT Synnøve Knutsen from the company to replace MT Sallie Knutsen on the charterer to Petrobras. MT Synnøve Knutsen has been chartered out from the partnership most of 2021. MT Synnøve Knutsen was redelivered in January 2022 to the partnership and further back to the company. MT Sallie Knutsen and MT Karen Knutsen was sold in second half of 2021 after both vessels were idle most of the year.

MT Synnøve Knutsen has been chartered to Equinor Shipping Inc., a Equinor ASA company, from February 2022 on a five-year time charter agreement with three options of two years and 9 options of one year in charters option.

Result for the year

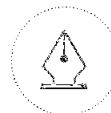
The operating result for the combined and merged business of KNOT Shuttle Tankers 35 AS was NOK 34 985 342 in 2022 compared to minus NOK 15 905 425 in 2021. After net financial loss of NOK 24 201 594 in 2022, a loss of NOK 147 623 801 in 2021, the result for the year was NOK 10 783 748 in 2022 compared to a loss of NOK 163 529 226 in 2021.

The Board of Directors propose to transfer the result for the year to other equity.

Total cash flow for operational activities was NOK 150 965 655, minus NOK 61 827 491 in 2021. The liquidity position was NOK 12 514 563 as per 31.12.2022 compared to NOK 62 449 698 as per 31.12.2021. The company's ability to finance its investments is good.

The company's short-term debts per 31.12.2022 was 2.5 % of total debt (1.4 % in 2021).

Total capital was by the end of the year NOK 916 836 729, NOK 1 110 494 656 at the end of 2021. The equity-share as of 31.12.2022 was 13 % compared to 25 % the year before.



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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 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 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.

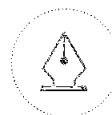
The environment safety and quality control

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 KNOT Offshore Partners 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.



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Future prospects

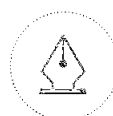
M/T Synnøve Knutsen is operated on a long-term charter with Equinor Shipping Inc. with a fixed period until the 1st quarter of 2027. The charterer and trading area is well known for the manager and the Board of Directors. Based on the operation of the vessel in 2022, the long-term financing of the vessel and the long-term charter-party of the vessel, the Board of Directors of KNOT Shuttle Tankers 35 AS expects 2023 to be a satisfactory year for the vessel and the company.

Haugesund, March 13, 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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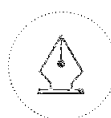
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KNOT Shuttle Tankers 35 AS

Profit & Loss Account

	<u>Note</u>	2022	2021
<u>Operating Income</u>			
Freight income	1	149 505 395	110 891 823
Gain from sale of vessel		0	13 504 358
Other income		5 587	13 149 521
<i>Total Operating income</i>		<u>149 510 982</u>	<u>137 545 702</u>
<u>Operating Expenses</u>			
Voyage related costs	1	3 176 099	13 274 729
Crew-hire	2	29 948 150	45 877 273
Commissions		9 501 665	0
Other operating expenses		21 847 089	25 902 807
Administration	2	7 557 225	12 012 130
<i>Total Operating Expenses</i>		<u>72 030 228</u>	<u>97 066 939</u>
<i>Operating result before depreciation</i>		<u>77 480 754</u>	<u>40 478 763</u>
Ordinary depreciation	3	42 495 412	56 384 188
<i>Operating Result</i>		<u>34 985 342</u>	<u>-15 905 425</u>
<u>Financial Income and Expenses</u>			
Financial income	4	6 181 253	16 495 490
Foreign exchange gain/loss		9 377 181	-2 943 841
Financial expenses	4	-39 760 028	-161 175 449
<i>Net Financial Items</i>		<u>-24 201 594</u>	<u>-147 623 801</u>
<i>Result before taxes</i>		<u>10 783 748</u>	<u>-163 529 226</u>
Taxes	5	0	0
<i>Result for the year</i>		<u>10 783 748</u>	<u>-163 529 226</u>



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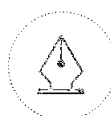
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KNOT Shuttle Tankers 35 AS

Balance Sheet as of 31. December

<u>Assets</u>	<u>Note</u>	<u>2022</u>	<u>2021</u>
<u>Fixed assets</u>			
Vessel	3	895 960 482	938 429 673
Investments in subsidiaries	8	0	17 914 436
<i>Total Fixed Assets</i>		<u>895 960 482</u>	<u>956 344 109</u>
<u>Current Assets</u>			
Inventories	6	2 471 707	2 597 148
Receivables	11	5 646 842	89 080 176
Intercompany receivables		243 136	23 525
Bank deposits	7	12 514 563	62 449 698
<i>Total Current Assets</i>		<u>20 876 247</u>	<u>154 150 546</u>
<i>TOTAL ASSETS</i>		<u>916 836 729</u>	<u>1 110 494 656</u>



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KNOT Shuttle Tankers 35 AS
Balance Sheet as of 31. December

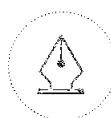
<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2022	2021
<u>Equity</u>			
Share capital		30 000	30 000
Share premium		9 930	9 930
Other paid-in capital		107 835 825	278 777 325
<i>Total capital paid-in</i>		107 875 755	278 817 255
Other equity		10 822 215	0
<i>Total Shareholders' Equity</i>	8, 9	118 697 969	278 817 255
<u>Long Term Debt</u>			
Deferred tax	5	6 758	8 448
Mortgage debt	10	778 061 538	819 972 359
<i>Total Long Term Debt</i>		778 068 295	819 980 807
<u>Current Liabilities</u>			
Account payables	11	3 610 082	6 753 638
Accrued interest		9 098 974	3 684 204
Tax payable	5	1 690	2 112
Intercompany liabilities	11	6 294 109	20 719
Other current liabilities		1 065 608	1 235 920
<i>Total Current Liabilities</i>		20 070 464	11 696 593
<i>Total liabilities</i>		798 138 760	831 677 401
SHAREHOLDERS' EQUITY AND LIABILITIES		916 836 729	1 110 494 656

Haugesund, March 13, 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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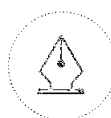


KNOT SHUTTLE TANKERS 35 AS

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	10,783,748	-163,529,226
+ Ordinary depreciation	42,495,412	56,384,188
+ Paid tax	-2,112	-2,300
-/+ Profit/loss on foreign exchange liabilities to fin. institutions	1,854,078	-2,930,554
-Gain from sale of vessel	0	-13,504,358
+ Financial expenses - liabilities to financial institutions	1,553,702	1,537,100
+/- Loss/Gain on liquidating limited partnerships	2,567,369	120,892
+Write-down investments subsidiaries	0	130,942,585
= Total generated from operations	59,252,197	9,018,327
+ Net received on current assets	83,339,164	-69,862,009
+ Net received on current liabilities	8,374,294	-983,809
Net cashflow from operations	150,965,655	-61,827,491
<u>Cashflow from investments</u>		
Upgrading of vessel	-26,221	11,606,548
Sale of vessel	0	63,927,665
Dividends and repayment of equity from group companies	15,347,068	155,525,834
Net cashflow from investments	15,320,846	231,060,047
<u>Cashflow from financing</u>		
Repayment of liabilities to financial institutions	-45,318,602	-40,533,969
Mergers	38,467	80,580,877
Dividend paid-out	-170,941,501	-166,480,500
Net cashflow from financing	-216,221,636	-126,433,592
Net cashflow for the year	-49,935,135	42,798,964
+ Bank deposits per 01.01.	62,449,698	19,650,734
= Bank deposits per 31.12.	12,514,563	62,449,698



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KNUTSEN SHUTTLE TANKERS 35 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.

Transactions in Foreign Currency

Income and expenditure in foreign currency are converted with the exchange rate at the time of the transaction.

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

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 company has secured employment of the vessel M/T Synnøve Knutsen, with a 5 year fix time charter contract with charterers option to extend the contract with 3 x 2 + 9 x 1 year options to Equinor Shipping Inc. from February 2022.

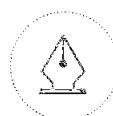
The income from charter party is in USD, and is recorded in profit and loss on a straight line basis over the lease term, net of hedging impact.

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

Voyage related costs

Specification:

	2022	2021
Port Charges	1,231,648	0
Bunkers	1,944,451	13,274,729
Total	<u>3,176,099</u>	<u>13,274,729</u>



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2 Employees and remuneration

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from Knutsen OAS Shipping AS in accordance with a separate management agreement.

	<u>2022</u>	<u>2021</u>
Grants crew expenses	-657,345	-1,253,685

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	117,334	183,803
Other services besides audit	0	0
	<u>117,334</u>	<u>183,803</u>

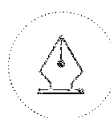
3 Fixed Assets

The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated net sales price at the end of estimated economic life. Normal economic life of shuttle tankers is estimated to 23 years from delivery as newbuilding. We use extended life or reduced life if there are commercial or technical indications that the 23 year profile for that specific entity is not correct, i.e. fixed charter contracts above 23 year age, commercial restrictions or technical conditions or -requirements. Equipment or part of the vessels with a material cost or specific use that have another estimated life is evaluated separately.

Dry-docking expenses, 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</u>	<u>2022</u>	<u>2021</u>
Historical value 1.1.	960,162,579	971,769,127
Accumulated depreciation 1.1.	44,042,929	6,477,386
Book value 1.1.	916,119,650	965,291,741
Additions/Disposals	26,221	-11,606,548
Annual depreciation	36,675,406	37,565,543
Book value 31.12.	<u>879,470,465</u>	<u>916,119,650</u>

<u>Dry-docking</u>	<u>2022</u>	<u>2021</u>
Capitalised dry-docking	29,100,028	29,100,028
Accumulated depreciation dry-docking 1.1.	6,790,005	970,000
Capitalised dry-docking 1.1.	22,310,024	28,130,028
Annual depreciation	5,820,006	5,820,005
Book value 31.12.	<u>16,490,018</u>	<u>22,310,023</u>



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MT Loch Rannoch		2021
Historical value 1.1.		408,755,450
Accumulated depreciation 1.1.		<u>346,644,282</u>
Book value 1.1.		62,111,168
Disposals		-50,423,307
Annual depreciation		<u>11,687,861</u>
Book value 31.12.		<u>0</u>
Dry-docking MT Loch Rannoch		2021
Capitalised dry-docking		19,634,725
Accumulated depreciation dry-docking 1.1.		<u>18,323,946</u>
Capitalised dry-docking 1.1.		1,310,779
Annual depreciation		<u>1,310,779</u>
Book value 31.12.		<u>0</u>
Total vessel	895,960,482	<u>938,429,672</u>

4 **Financial Income and -Expenses**

	2022	2021
Financial Income:		
Dividend	0	10,904
Deletion Luky KS	2,567,369	0
Dividends from subsidiaries	3,105,193	14,800,000
Interest from group companies	0	1,684,307
Other interest income	508,691	278
Total financial income	<u>6,181,253</u>	<u>16,495,490</u>
Financial expenses:		
Interest expenses to group companies/related parties	0	131,692
Write-Down	0	130,942,585
Loss on long-term investment	0	120,892
Interest expenses	35,447,329	25,779,583
Guarantee expenses group companies/related parties	4,128,983	3,942,579
Other financial expenses	183,716	258,119
Total financial expenses	<u>39,760,028</u>	<u>161,175,449</u>

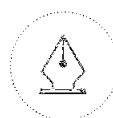
5 **Tax**

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.

Specification on the temporary differences:

	31.12.2022	Change	31.12.2021
Gain & loss account entrance tax	30,718	-7,680	38,398
Loss carried forward	115,607,167	-6,463,513	122,070,680
Basis for deferred tax (benefit)	<u>115,637,885</u>	<u>-6,471,193</u>	<u>-63,114,146</u>
Deferred tax (benefit)	6,758	-1,690	8,448



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Deferred tax assets are only recognized to the extent that it is more probable than not that these will be utilized in the future.

Taxable result tonnage tax

	<u>2022</u>	<u>2021</u>
Net financial result	-24,201,594	-147,623,801
Non-taxable result from investment	-4,003,614	3,201,085
Non deductible currency loss	-8,667,611	2,941,814
Other non-deductible items	0	116,252,900
Other deductible items	0	0
Interest deduction	<u>30,409,305</u>	<u>14,913,581</u>
Taxable income before loss carried forward	-6,463,513	-10,314,420
Change in loss carried forward	<u>6,463,513</u>	<u>-10,314,420</u>
Taxable income	<u>0</u>	<u>0</u>
Tax payable	-1,690	2,112
Change in deferred tax	<u>1,690</u>	<u>-2,112</u>
Tax expense	<u>0</u>	<u>0</u>
Tonnage tax expenses under operating expenses	<u>145,728</u>	<u>473,780</u>

6 Inventories

Specification of inventories per 31.12.

	<u>2022</u>	<u>2021</u>
Lube oil	<u>2,471,707</u>	<u>2,597,148</u>
Total inventory	<u>2,471,707</u>	<u>2,597,148</u>

7 Bank deposits

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

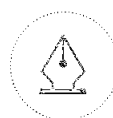
8 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Additional paid-in capital	Other equity	Total equity
Equity 01.01.	30,000	9,930	278,777,324	0	278,817,255
Merger	0	0	0	38,467	38,467
Dividend	0	0	-170,941,501	0	-170,941,501
Result for the year	0	0	0	10,783,748	10,783,748
Equity 31.12.	<u>30,000</u>	<u>9,930</u>	<u>107,835,825</u>	<u>10,822,215</u>	<u>118,697,969</u>

Share capital consist of 1 000 shares à NOK 30, all the shares is owned 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/>.



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KNOT Shuttle Tankers 35 AS have been merged with KNOT Shuttle Tankers 28 GP AS with KNOT Shuttle Tankers 35 AS as surviving company. The mergers is a simplified merger within the group and are registered in financial- and tax accounts on continuity basis with effect from 1 January 2022. The subsidiary Luky KS have in July 2022 been deleted. The equity from the deleted company have been transferred to the owner KNOT Shuttle Tankers 35 AS.

9 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 30,47% of KNOT Offshore Partners LP.

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.

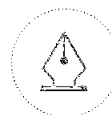
We use hedge accounting for long term debt in foreign currencies. The expected net future nominal cash-flow in the same currency from chartering out vessel is the hedging object. The realized foreign exchange gain and - losses are booked together with the hedging object under the the freight income. 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	Accounting balance 2022	Accounting balance 2021
Mortgage debt	USD	85,291,780	9.1728	782,361,449	825,825,972
Debt issuance cost				-4,299,911	-5,853,613
Liabilities to financial institutions				778,061,538	819,972,359

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.



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	<u>2022</u>	<u>2021</u>
Foreign exchange gain/-loss not taken over profit and loss (i.e. off-balance):	-62,590,098	30,292,010
<u>Amounts due within 12 months of the balance sheet date:</u>		
Mortgage debt	43,464,523	43,464,523
Debt issuance cost	-1,559,774	-1,537,100
Liabilities to financial institutions	41,904,749	41,927,423
<u>Repayment profile:</u>		
0 - 12 months	4,738,432	4,738,432
13 - 24 months	4,738,432	4,738,432
25 - 36 months	4,738,432	4,738,432
37 - 48 months	4,738,432	4,738,432
49 - 60 months	4,738,432	4,738,432
After 60 months	61,599,619	66,338,052
	85,291,779	90,030,212
The exchange rate at the year-end	USD/NOK	9.9066 8.8363

Security for the loan is made through a first priority mortgage 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 917 million.

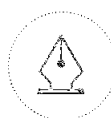
The company has entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. Hedge accounting has been applied for revenue in interest rate swap contracts - cash flow hedge. Fixed rate interest rate swaps are used as hedging instrument. The profit and loss impact of 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.

	<u>Currency</u>	<u>2022</u>	<u>2021</u>
Outstanding fixed interest rate swaps	USD	44,375,000	47,000,000
Mark to market valuation	USD	2,232,426	-1,600,000

11 Related party balances

		<u>2022</u>	<u>2021</u>
<u>Current receivables</u>			
Knutsen Shuttle Tankers Pool A	Group in 2021	0	5,587,392
Knutsen NYK Offshore Tankers A	Group in 2021	0	79,045,071
KNOT Shuttle Tankers 27 AS	Group in 2021	0	2
KNOT Shuttle Tankers 37 AS	Group in 2021	1,372	0
Knutsen OAS Shipping AS		0	7,531
		1,372	84,639,996



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Accounts payable

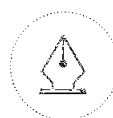
Knutsen O.A.S. Shipping AS		-1,761,372	-569,952
Knutsen OAS Management AS		-2,138	-5,640
Knutsen Shuttle Tankers 3 AS		0	-30,408
Knutsen OAS Crewing AS		-112,587	-4,031
KNOT Management AS	Group in 2021	-608,437	-1,296,169
Luky KS		0	-3,703,548
KNOT Shuttle Tankers 31 AS	Group in 2021	0	-4,910
KNOT Management Denmark A/S	Group in 2021	0	-70
		<u>-2,484,534</u>	<u>-5,614,728</u>

Intercompany receivables

Knutsen Shuttle Tankers 14 AS	Group first in 2022	0	1,264
Knutsen Shuttle Tankers 19 AS	Group first in 2022	0	922
KNOT Shuttle Tankers 17 AS	Group first in 2022	0	1,306
KNOT Shuttle Tankers 25 AS	Group first in 2022	0	1,264
KNOT Shuttle Tankers 34 AS	Group first in 2022	243,136	18,769
		<u>243,136</u>	<u>23,525</u>

Intercompany liabilities

KNOT Shuttle Tankers AS	Group first in 2022	-6,136,871	0
KNOT Shuttle Tankers 25 AS	Group first in 2022	-155,890	0
KNOT Shuttle Tankers 32 AS	Group first in 2022	-1,349	-20,719
		<u>-6,294,109</u>	<u>-20,719</u>



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 35 AS

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 35 AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement 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, 13 March 2023
ERNST & YOUNG AS

(The auditor's report is signed electronically)

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Independent auditor's report - KNOT Shuttle Tankers 35 AS 2022

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Johan Nordby

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