



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 814 450 112
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT FSO 2 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

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: 25.02.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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	2021	2020
RESULTATREGNSKAP			
Inntekter			
Operating Income	2	186 587 754	185 085 415
Commissions		-2 342 348	-2 448 012
Sum inntekter		184 245 406	182 637 403
Kostnader			
Crew-hire	9	62 885 668	62 772 715
Ordinary depreciation	12	60 605 009	68 360 578
Other operating expenses		27 035 470	22 881 367
Administration	6	6 429 111	6 589 916
Sum kostnader		156 955 258	160 604 576
Driftsresultat		27 290 147	22 032 827
Finansinntekter og finanskostnader			
Financial income	4	9 192 848	3 533 173
Foreign exchange gain/loss		9 952 587	-16 380 019
Sum finansinntekter		19 145 436	-12 846 846
Financial expenses	4	17 317 469	38 809 282
Sum finanskostnader		17 317 469	38 809 282
Netto finans		1 827 966	-51 656 127
Ordinært resultat før skattekostnad		29 118 114	-29 623 300
Taxes	10	6 286 357	-6 515 939
Ordinært resultat etter skattekostnad		22 831 757	-23 107 361
Årsresultat		22 831 757	-23 107 361
Årsresultat etter minoritetsinteresser		22 831 757	-23 107 361
Totalresultat		22 831 757	-23 107 361



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10		
Varige driftsmidler			
Bare-boat contract	2		
Vessel	12	239 935 784	295 704 643
Sum varige driftsmidler		239 935 784	295 704 643
Finansielle anleggsmidler			
Lån til foretak i samme konsern		267 416 400	239 050 000
Sum finansielle anleggsmidler		267 416 400	239 050 000
Sum anleggsmidler		507 352 184	534 754 643
Omløpsmidler			
Varer			
Inventories		1 259 617	730 565
Sum varer		1 259 617	730 565
Fordringer			
Receivables		2 731 760	3 379 690
Current receivables associated companies	5		
Konsernfordringer		1 651 080	31 491 662
Sum fordringer		4 382 840	34 871 352
Bankinnskudd, kontanter og lignende			
Bank deposits	3	59 574 247	47 649 762
Sum bankinnskudd, kontanter og lignende		59 574 247	47 649 762
Sum omløpsmidler		65 216 704	83 251 679
SUM EIENDELER		572 568 888	618 006 322

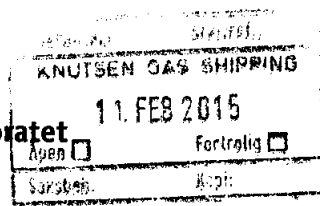


Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		100 000	100 000
Annen innskutt egenkapital			375 604
Sum innskutt egenkapital		100 000	475 604
Other equity			
Sum egenkapital	7, 8	100 000	475 604
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10	8 790 192	9 186 776
Sum avsetninger for forpliktelser		8 790 192	9 186 776
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	11	513 422 257	584 939 394
Sum annen langsiktig gjeld		513 422 257	584 939 394
Sum langsiktig gjeld		522 212 450	594 126 170
Kortsiktig gjeld			
Leverandørgjeld	5	3 826 005	2 799 531
Kortsiktig konserngjeld		34 387 515	828 893
Accrued interest		1 826 655	2 021 425
Current liabilities associated companies	5		
Other current liabilities		10 216 262	17 754 699
Sum kortsiktig gjeld		50 256 438	23 404 548
Sum gjeld		572 468 888	617 530 718
SUM EGENKAPITAL OG GJELD		572 568 888	618 006 322



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



KNOT Knutsen
NYK Offshore
Tankers

KNOT FSO 2 AS

Annual Report 2021



M/T “ Jorunn Knutsen ”



**Knutsen
Group**





KNOT FSO 2 AS

REPORT OF THE BOARD OF DIRECTORS 2021

KNOT FSO 2 AS operates out of Haugesund, Norway and has no employees and working environment. The daily operations of the company and the vessel are managed by KNOT Management AS in Haugesund in accordance with separate agreement and hires the crew from Knutsen OAS Offshore AS.

The company's activity

FSO Åsgård C/MT Jorunn Knutsen is chartered out to Equinor Energy AS on behalf of the Åsgård Group on a fixed time charter until September 2024 plus four one-year options. The FSO is used as a floating offshore installation for storage of the produced oil from the Åsgård field and connected fields.

Result for the year

The operating result for KNOT FSO 2 AS was NOK 27 290 147 compared to NOK 22 032 827 in 2020. The net financial profit for the year was NOK 1 827 966, compared to a loss of NOK 51 656 127 the previous year. The result for the year was NOK 22 831 757 compared to a loss of NOK 23 107 361 the year before.

The Board of Directors suggests to give the received non-taxable group contribution and the result as a tax deductible group contribution to the owner KNOT FSO AS. The book equity is NOK 100 000 at the end of 2021, compared to NOK 475 604 per 31.12.2020. The equity-share as of 31.12.2021 was 0.02 %, down from 0.1 % the year before.

The liquidity position was NOK 59 574 247 as per 31.12.2021 compared to NOK 47 649 762 as per 31.12.2020. The company's ability to self-finance investments is good.

The company's short term debts per 31.12.2021 was 9 % of total debt, compared to 4 % as of 31.12.20. The financial position is satisfactory.

Total capital was by the end of the year NOK 572 468 888, compared to NOK 618 006 322 the year before. The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's capex income is denominated in USD. Though, since part of the company's operating expenses and financial expenses 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, hence the operating related market risk.

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

The environment safety and quality control



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

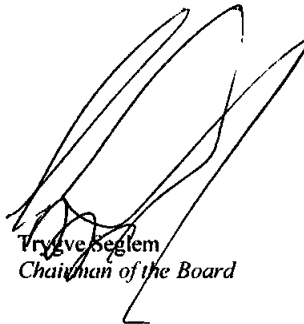
The company is not aware of any significant pollution to the external environment other than what is normal for the operation of a FSO and the Board of Directors considers the working conditions onboard the FSO as satisfactory. The FSO is certified in accordance with both ISM code and the ISPS code.

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

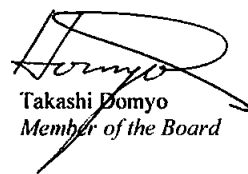
Future prospects

KNOT FSO 2 AS has a long-term contract now fixed until September 2024 and four one-year options in favour of the charterers with no off-hire in the period from start-up in 2000 until the date of the accounts. Based on the operation of the FSO in 2021, the long-term contract, the long-term sale-and lease-back and the utilization of the FSO the Board of Directors expects 2022 to be a satisfactory year for the FSO and the company.

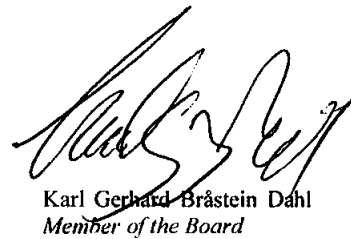
Haugesund, February 24, 2022



Trygve Seglem
Chairman of the Board



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT FSO 2 AS
Profit & Loss Account

	Note	2021	2020
<u>Operating Income</u>			
Operating Income	2	186 587 754	185 085 415
Commissions		-2 342 348	-2 448 012
<i>Total Operating income</i>		<u>184 245 406</u>	<u>182 637 403</u>
<u>Operating Expenses</u>			
Crew-hire	9	62 885 668	62 772 715
Other operating expenses		27 035 470	22 881 367
Administration	6	6 429 111	6 589 916
<i>Total Operating Expenses</i>		<u>96 350 249</u>	<u>92 243 998</u>
Ordinary depreciation	12	60 605 009	68 360 578
<i>Total depreciation and write-downs</i>		<u>60 605 009</u>	<u>68 360 578</u>
<i>Operating Result</i>		<u>27 290 147</u>	<u>22 032 827</u>
<u>Financial Income and Expenses</u>			
Financial income	4	9 192 848	3 533 173
Foreign exchange gain/loss		9 952 587	-16 380 019
Financial expenses	4	-17 317 469	-38 809 282
<i>Net Financial Items</i>		<u>1 827 966</u>	<u>-51 656 127</u>
<i>Result before taxes</i>		<u>29 118 114</u>	<u>-29 623 300</u>
Taxes	10	6 286 357	-6 515 939
<i>Result for the year</i>		<u>22 831 757</u>	<u>-23 107 361</u>



KNOT FSO 2 AS
Balance Sheet as of 31. December

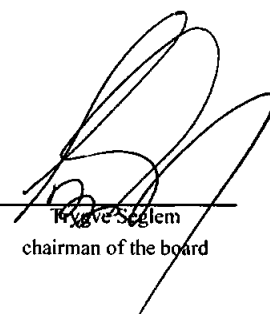
Assets	Note	2021	2020
<u>Fixed assets</u>			
Vessel	12	239 935 784	295 704 643
Loan to group companies		267 416 400	239 050 000
<i>Total Fixed Assets</i>		<u>507 352 184</u>	<u>534 754 643</u>
<u>Current Assets</u>			
Inventories		1 259 617	730 565
Receivables		2 731 760	3 379 690
Current receivables group		1 164 377	1 385 296
Group contributions		486 703	30 106 366
Bank deposits	3	59 574 247	47 649 762
<i>Total Current Assets</i>		<u>65 216 704</u>	<u>83 251 679</u>
<i>TOTAL ASSETS</i>		<u>572 568 888</u>	<u>618 006 322</u>



KNOT FSO 2 AS

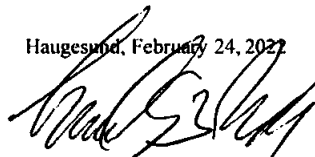
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	Note	2021	2020
<u>Equity</u>			
Share capital		100 000	100 000
Other paid-up equity		0	375 604
<i>Total capital paid-in</i>		<u>100 000</u>	<u>475 604</u>
<u>Retained earnings</u>			
Other equity		0	0
<i>Total Shareholders' Equity</i>	7, 8	<u>100 000</u>	<u>475 604</u>
<u>Long Term Liabilities</u>			
Deferred tax	10	8 790 192	9 186 776
Liabilities to financial institutions	11	513 422 257	584 939 394
<i>Total Long Term Liabilities</i>		<u>522 212 450</u>	<u>594 126 170</u>
<u>Current Liabilities</u>			
Accounts payable	5	3 826 005	2 799 531
Accrued interest		1 826 655	2 021 425
Current liabilities group		4 010 541	828 893
Group contribution		30 376 974	0
Other current liabilities		10 216 262	17 754 699
<i>Total Current Liabilities</i>		<u>50 256 438</u>	<u>23 404 548</u>
<i>Total liabilities</i>		<u>572 468 888</u>	<u>617 530 718</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>572 568 888</u>	<u>618 006 322</u>

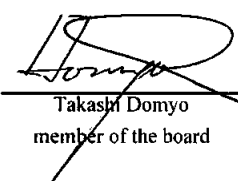


Trygve Seglem
chairman of the board

Haugesund, February 24, 2022



Karl Gerhard Bråstein Dahl
member of the board



Takashi Domyo
member of the board



KNOT FSO 2 AS

CASHFLOW STATEMENT

	2021	2020
Total generated from operations 1)	84 001 474	67 574 118
Change in working capital	-3 185 316	-2 831 871
Net cashflow from operations	80 816 158	64 742 247
<u>Cashflow from investments</u>		
Net changes vessel	-4 836 150	-11 007 974
Net cashflow from investments	-4 836 150	-11 007 974
<u>Cashflow from financing</u>		
Drawn - sale lease-back	-74 161 888	582 784 556
Repaid - mortgage debt / sale leaseback	0	-295 923 352
Net change in loan to/from group companies	-20 000 000	-286 880 656
Received group contribution	30 106 366	0
Dividend paid	0	-60 409 369
Net cashflow from financing	-64 055 522	-60 428 821
Net cashflow for the year	11 924 486	-6 694 548
+ Cash balance per 01.01	47 649 762	54 344 311
= Cash Balance per 31.12.	59 574 247	47 649 762

1) Generated from operations:

Result before tax	29 118 114	-29 623 300
+Unrealized/Realized profit/loss on foreign exchange - group loan	-8 366 400	13 787 200
+Realized currency gain mortgage debt	566 116	10 961 398
+Amortization deferred debt issuance cost	2 078 635	4 088 242
+Ordinary depreciation	60 605 009	68 360 578
= Total generated from operations	84 001 474	67 574 118



KNOT FSO 2 AS

Notes to the Financial Statement 31.12.2021

1 Accounting Principles

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

Fixed Assets and Dry-Docking

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 FSO's 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 main class and special survey and intermediate survey are capitalised and expensed over the period till the next dry-docking to take 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 30-36 month for vessels more than 15 years. In the case of a newbuilding or second hand acquisition, we estimate a portion of the total cost of the vessel to be allocated to the class cost and to be capitalised separately. Other expenses to repair and maintenance of the vessel are expensed when the work is executed.

Inventory

Inventories are evaluated to market value as the lower of cost and market value is considered as unpractical.

Income

The income from the charter party is in USD, and income is recorded to the Profit & Loss account when actually earned.

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.



Tax

The calculated tax costs in the accounting includes both the payable tax for the period in addition to the change in deferred tax. Deferred tax is calculated using 22% as the basis for taxation on the temporary differences between the accounting and the taxable values in addition to the loss carried forward at the end of the financial year. Tax increasing and decreasing changes in temporary differences which are reversed or can be reversed in the same period are offset and the net value is booked.

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.

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 Knutsen NYK Offshore Tankers 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(s). Ship management fee includes services like technical management, crewing management, IT and energy management.

2 Contracts

Since delivery in year 2000 FSO Åsgård C / Jorunn Knutsen has been on time charter contract with options with Equinor Energy AS on behalf of the Åsgård Group as a storage vessel. The fixed period have been extended until September 2024 and the charterer has 4 one-year options after the fixed period.

KNOT Management AS is appointed as manager for the company.

3 Bank deposits

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

4 Financial Income and -Expenses

	<u>2021</u>	<u>2020</u>
Financial Income:		
Dividend	572 345	0
Interest income from group companies	8 619 237	3 411 535
Other interest income	1 266	121 638
Total financial income	<u>9 192 848</u>	<u>3 533 173</u>



	2021	2020
Financial expenses:		
Interest expenses	14 507 169	34 080 248
Interest expenses to group companies	9 439	783 590
Guarantee cost to related parties	2 786 137	2 179 402
Financial expenses to group companies	0	1 699 040
Other financial expenses	14 724	67 002
Total financial expenses	17 317 469	38 809 282

5 Balances with related parties

	2021	2020
<u>Accounts payable</u>		
Knutsen OAS Shipping AS	0	70 244
Knutsen OAS Offshore AS	745 568	1 163 752
Knutsen OAS ML AS	443 953	141 197
Knutsen OAS Management AS	6 971	0
	1 196 492	1 375 193
<u>Receivables</u>		
Knutsen OAS Shipping AS	396 472	0

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):	2021	2020
Audit	64 300	61 500
Tax advice	0	0
Other services besides audit	0	0
	64 300	61 500

7 Equity

Specification of the equity per 31.12.

	Share capital	Other paid in equity	Other equity	Total equity
Equity 01.01	100 000	375 604	0	475 604
Difference in group contribution last year	0	-23		-23
Group contribution net	0	-375 580	-22 831 757	-23 207 337
Result for the year	0		22 831 757	22 831 757
Equity 31.12.	100 000	0	0	100 000

Share capital consist of 100 shares à NOK 1,000

KNOT FSO AS owns all the shares in the company. KNOT FSO AS and the company are both a part of Knutsen NYK Offshore Tankers Group and the financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.



8 Shares Owned by Board Members and Affiliates

Trygve Seglem controls TS Shipping Invest AS, which owns 50 % of the ultimate parent company Knutsen NYK Offshore Tankers AS.

9 Crew

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

10 Tax

Deferred tax/ -benefits are calculated based on the temporary differences existing at the year-end between financial and taxable values, and the taxable deficit carried forward. Below, a specification of the temporary differences and taxable deficit carried forward are given, as well as a calculation of the deferred tax at the year-end.

<u>Temporary differences</u>	<u>31.12.21</u>	<u>Change</u>	<u>31.12.20</u>
Temporary difference vessels	24 049 983	20 624 659	44 674 642
Gain/loss account	1 634 266	408 567	2 042 833
Temporary difference USD debt	25 144 926	4 518 137	29 663 063
Deficit carried forward	0	-19 405 752	-19 405 752
Deductible interest carried forward	-10 873 758	-4 342 987	-15 216 745
Base for deferred tax calculation	39 955 416	1 802 625	41 758 068
Deferred tax/(benefit) based on 22 % tax rate	8 790 192	-396 584	9 186 776

In the following a specification of the differences between the result before tax, and the basis for tax calculation is given.

	<u>2021</u>	<u>2020</u>
Result for the year before tax	29 118 114	-29 623 300
Non-deductible items	-543 763	5 395
Change in temporary differences	25 551 364	-488 460
Tax base for the year before group contribution	54 125 714	-30 106 366
Change in deductible interest carried forward	-4 342 987	0
Deficit carried forward	-19 405 752	0
Group contribution given	-30 376 974	0
Received group contribution	0	30 106 366
Tax base	0	0

Calculation of tax expenses

Tax payable	0	0
Adjustment tax from 2020	7	0
Tax effect group contribution 22%	6 682 933	-6 623 401
Change deferred tax/(tax benefit)	-396 584	107 462
Tax calculated	6 286 356	-6 515 939



11 Mortgage Debt and Financial Instruments

	2021	USD	Historical rate	Rate as at 31.12	NOK
USD-lease liability		60 949 400	9,0299	8,5176	519 139 928
Debt issuance cost					<u>-5 717 671</u>
					513 422 257
Current portion USD-lease liability		8 640 480		8,5176	73 595 772
Deferred debt issuance costs					<u>-2 078 635</u>
					71 517 137

	2020	USD	Historical rate	Rate as at 31.12	NOK
USD-lease liability		69 589 880	9,0299	8,5176	592 735 700
Debt issuance cost					<u>-7 796 306</u>
					584 939 394
Current portion USD-lease liability		8 640 480		8,5176	73 595 772
Deferred debt issuance costs					<u>-2 078 635</u>
					71 517 137

The USDNOK exchange rate at the year-end was 8,8363 (8,5375 in 2020).

FSO Åsgård C/MT Jorunn Knutsen has been sold out and leased back on a financial lease and the vessel is formally transferred to the financial counterparty.

Security for the lease is made through a first priority mortgage in the vessel, a sharepledge in the company's shares held by the owner KNOT FSO AS, transportation of income and insurances, assignment in hedging claims, account pledges, factoring agreement, and guarantees from the Knutsen NYK Offshore Tankers AS.

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). Lease liability in USD are used as hedging instrument. The profit and loss impact of the hedging instrument (lease in USD) is presented together with the hedged risk. This implies that realized currency gain/losses on the lease is 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 lease liability on the basis of the year-end exchange rate. Per 31.12.2021 the not recorded foreign exchange loss (i.e. off-balance) is NOK 19 million compared to a loss of NOK 1 million as per 31.12.2020.

Book value of mortgaged assets is NOK 573 million (NOK 588 million last year).

The estimated outstanding debt per 31.12.2026 is USD 15 million



12 Fixed assets

Vessel

	<u>2021</u>	<u>2020</u>
Historical value 1.1	593 472 421	593 472 421
Acc. Depreciation 1.1	325 350 604	263 476 336
Book value 1.1	268 121 817	329 996 085
Ordinary annual depreciation	48 559 063	61 874 268
Book value 31.12.	219 562 754	268 121 817

Dry dock

	<u>2021</u>	<u>2020</u>
Historical value 1.1	44 774 943	33 030 180
Acc. Depreciation 1.1	17 192 117	9 969 018
Book value 1.1	27 582 826	23 061 162
Additions/disposals	4 836 150	11 007 974
Ordinary annual depreciation	12 045 946	6 486 310
Book value 31.12.	20 373 030	27 582 826

Book value vessel 31.12	239 935 784	295 704 643
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Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders Meeting of KNOT FSO 2 AS

Opinion

We have audited the financial statements of KNOT FSO 2 AS (the Company), which comprise the balance sheet as at 31 December 2021, the profit & loss accounts 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 2021 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 other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard, 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 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Independent auditor's report – KNOT FSO 2 AS 2021

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Magnus Hegertun Birkeland

Statsautorisert revisor

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