



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 992 593 903
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNUITSEN SHUTTLE TANKERS 2 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

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: 12.03.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

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, 02.05.2021



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	66 860 739	52 775 184
Sum inntekter		66 860 739	52 775 184
Kostnader			
Lønnskostnad	10	14 417 228	
Avskrivning på varige driftsmidler og immaterielle eiendeler	9, 9	43 203 792	31 613 666
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9		
Annen driftskostnad	8	14 198 491	974 636
Sum kostnader		71 819 510	32 588 302
Driftsresultat		-4 958 771	20 186 882
Finansinntekter og finanskostnader			
Annen finansinntekt	4	-443 399	3 585 413
Sum finansinntekter		-443 399	3 585 413
Annen finanskostnad	4	6 658 621	8 133 822
Sum finanskostnader		6 658 621	8 133 822
Netto finans		-7 102 020	-4 548 410
Ordinært resultat før skattekostnad		-12 060 791	15 638 472
Skattekostnad på ordinært resultat	12		
Ordinært resultat etter skattekostnad		-12 060 791	15 638 472
Årsresultat		-12 060 791	15 638 472
Årsresultat etter minoritetsinteresser		-12 060 791	15 638 472
Totalresultat		-12 060 791	15 638 472



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12		
Varige driftsmidler			
Skip, rigger, fly og lignende	7, 9, 7, 9	94 578 312	137 782 104
Sum varige driftsmidler		94 578 312	137 782 104
Finansielle anleggsmidler			
Lån til foretak i samme konsern	11		
Sum anleggsmidler		94 578 312	137 782 104
Omløpsmidler			
Varer			
Varer		1 217 707	
Sum varer		1 217 707	
Fordringer			
Andre fordringer		1 115 790	
Konsernfordringer	11	22 909 891	108 924
Sum fordringer		24 025 681	108 924
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	2	14 618 682	48 904 060
Sum bankinnskudd, kontanter og lignende		14 618 682	48 904 060
Sum omløpsmidler		39 862 071	49 012 984
SUM EIENDELER		134 440 383	186 795 088

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2019	2018
Egenkapital			
Innskutt egenkapital			
Selskapskapital	5, 6	100 000	100 000
Annen innskutt egenkapital		5 137 403	5 137 403
Sum innskutt egenkapital		5 237 403	5 237 403
Opptjent egenkapital			
Annen egenkapital		49 223 307	61 284 098
Sum opptjent egenkapital		49 223 307	61 284 098
Sum egenkapital	5	54 460 710	66 521 501
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	7	65 819 325	118 137 250
Sum annen langsiktig gjeld		65 819 325	118 137 250
Sum langsiktig gjeld		65 819 325	118 137 250
Kortsiktig gjeld			
Leverandørgjeld		2 533 395	
Betalbar skatt	12		
Kortsiktig konserngjeld	11, 11	10 517 507	662 475
Annen kortsiktig gjeld		1 109 446	1 473 862
Sum kortsiktig gjeld		14 160 348	2 136 337
Sum gjeld		79 979 673	120 273 587
SUM EGENKAPITAL OG GJELD		134 440 383	186 795 088



Skattedirektoratet

Saksbehandler
Jan Hoelstad

Deres dato
11.03.2011

Vår dato
30.03.2011

Telefon
22077325

Deres referanse
Jørn Knutsen

Vår referanse
2011/327976

Ernst & Young AS
Postboks 6163, Postterminalen
5892 Bergen

Dispensasjon fra kravet om utarbeidelse av årsregnskap og -beretning på norsk språk

Det vises til deres brev av 11. mars 2011 samt e-post av 30. mars 2011 med supplerende opplysninger i sakens anledning. 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. Da det er etablerte enkelte nye selskap i konsernet samt at er gjort endringer i konsernstruktur og eierskap for enkelte av de tidligere selskapene søkes det på nytt om dispensasjon for følgende selskap:

- Knutsen NYK Offshore Tankers AS org. nr: 995 221 713
- samt følgende datterselskap:
 - Knutsen Bøyelaster XI KS org. nr: 986 224 610
 - Knutsen Bøyelaster XI AS org. nr: 986 224 602
 - Knutsen Bøyelaster II KS * org. nr: 959 321 752
 - Knutsen Bøyelaster II AS org. nr: 959 321 663
 - Knutsen Bøyelaster III KS * org. nr: 959 505 349
 - Knutsen Bøyelaster III AS org. nr: 959 504 822
 - Knutsen Shuttle Tankers XII KS org. nr: 991 959 610
 - Knutsen Shuttle Tankers XII AS org. nr: 991 959 556
 - Knutsen Produkt Tanker IV KS * org. nr: 961 068 355
 - Knutsen Produkt Tanker IV AS org. nr: 961 068 177
 - Knutsen Bøyelaster VI KS org. nr: 971 585 579
 - Knutsen Bøyelaster VI AS org. nr: 993 011 681
 - Knutsen Bøyelaster VIII KS org. nr: 979 539 649
 - Knutsen Bøyelaster VIII AS org. nr: 993 010 596
 - Knutsen Bøyelaster IX KS org. nr: 979 685 521
 - Knutsen Bøyelaster IX AS org. nr: 879 685 362
 - Knutsen Terminal Tanker AS org. nr: 945 404 191
 - Knutsen Newfoundland Chartering AS org. nr: 990 356 963
 - Knutsen Shuttle Tankers 2 AS org. nr: 992 593 903
 - Knutsen Offshore KS org. nr: 893 435 832
 - Knutsen Offshore AS org. nr: 992 593 881

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland 0134 Oslo	Se www.skatteetaten.no Org. nr: 996250318	800 80 000 Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60



- Knutsen Produkt Tanker V AS org. nr: 979 976 445
- Knutsen Shuttle Tankers Pool AS org. nr: 982 302 536
- Knutsen Atlantic Chartering AS org. nr: 984 963 262
- Knutsen Canadian Chartering AS org. nr: 984 963 270
- Knutsen Offshore Tankers AS org. nr: 995 206 870
- Knutsen Offshore Tankers 2 AS org. nr: 995 206 862
- Knutsen Shuttle Tankers 3 AS org. nr: 995 146 584
- Knutsen NYK Management AS org. nr: 996 124 916
- Knutsen Shuttle Tanker 13 AS org. nr: 996 661 016
- Knutsen Tankers 2 AS org. nr: 992 593 792
- Knutsen Tankers 3 AS org. nr: 992 593 814

Alle datterselskapene er eid 100 % med unntak av selskapene merket med *. I de tre selskapene som også har andre eiere, utgjør disse andre eierne et lite antall og kan anses som etablerte investorer.

Søknad:

Fra deres brev gjengis:

"TS Shipping Invest AS etablerte det 100 % eide datterselskapet Knutsen Offshore Tankers ASA (KOT) i februar 2010. I april 2010 ble hele bøyelastervirksomheten i konsernet flyttet inn under KOT, hvor en rekke av de selskapene som var søkt avleggelse av regnskaper på engelsk fulgte med.

I desember 2010 solgte TS Shipping Invest AS seg ned til 50 % i KOT ved at det japanske rederiet NYK Line gikk inn på eiersiden og overtok 50 % av aksjene. Selskapet skiftet navn til Knutsen NYK Offshore Tankers AS (KNOT).

Alle selskapene i KNOT konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper. Som tidligere beskrevet er brukerne av regnskapene hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften (ansatte, kunder, leverandører etc.). Nytt fra tidligere er at den andre eieren NYK Line er engelskspråklig. Aksjonærstrukturen er begrenset til 2 hovedeiere.

Selskapets virksomhet er finansiert av en rekke norske og internasjonale banker. Ettersom finansieringen i all hovedsak gjøres via syndikerte banklån er det et krav fra bankene at regnskapene oversettes til i engelsk språkdrakt.

Også de aller fleste av selskapenes kunder og leverandører og andre brukerne har engelsk som sitt naturlige språk/forretningspråk..."

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.

I forhold til tidligere gitte dispensasjon, har det kommet inn japanske interessenter i tillegg på eiersiden. For øvrig anses øvrige sentrale faktorer som fortsatt til stede. Dette gjelder også de nyetablerte selskapene.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering de ovenfor nevnte selskapene dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Jan Høelstad



KNOT Knutsen
NYK Offshore
Tankers

Knutsen Shuttle Tankers 2 AS

Annual Report 2019



M/T “Loch Rannoch”



Knutsen
Group



NYK GROUP



KNUTSEN SHUTTLE TANKERS 2 AS

REPORT OF THE BOARD OF DIRECTORS 2019

Knutsen Shuttle Tankers 2 AS owns one 130,031 DWT DP2 Suez-max shuttle tanker, M/T Loch Rannoch, delivered from Daewoo Heavy Industries in 1998.

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

The company's activities

MT Loch Rannoch is charter out under a pool agreement to the group company Knutsen Shuttle Tankers Pool AS. The pool is operating MT Loch Rannoch in the CoA and spot market of Northern part of Europe. KNOT Management AS is managing the vessel on behalf of the company.

Profit for the year

The operating result for Knutsen Shuttle Tankers 2 AS was a loss of NOK 4 958 771 compared to NOK 20 186 882 in 2018. The net financial loss for the year was NOK 7 102 020, compared to a loss of NOK 4 548 410 the previous year. The result for the year became a loss of NOK 12 060 791 compared to NOK 15 638 472 the year before.

The Board of Directors suggests transferring the loss for the year to other equity.

The liquidity position was NOK 14 618 682 as per 31.12.2019 compared to NOK 48 904 060 as per 31.12.2018. The company's ability to self-finance investments is good.

The company's short term debts per 31.12.2019 was 17.7 % of total debt, compared to 1.8 % as of 31.12.18. The financial position is satisfactory.

Total capital was by the end of the year NOK 134 440 383, compared to NOK 186 795 088 the year before.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Though, since the majority 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 group is also exposed to changes in the interest rate level, as it has long term debt carrying floating interest rate.



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.

Environment, safety and quality control

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

The company and the group allocate considerable resources to quality control, and there are strict requirements to safety and the operational systems of the vessel. There are no matters that indicate that the company pollutes the external environment significantly, and the board of directors considers the working conditions as satisfactory. All certificates are valid. MT Loch Rannoch was 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.

Future prospects

The Board of Directors have agreed with Knutsen Shuttle Tankers Pool AS to participate in the pool with MT Loch Rannoch and the vessel will continue operation in the North Sea. The Board are also in dialogue with the agent and lender in the financing of MT Loch Rannoch to extend the current loan. The Board of Directors has thus reason to believe that 2020 will be a satisfactory year for the company.



Trygve Seglem
Chairman of the Board

Haugesund, February 21, 2020



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



Knutsen Shuttle Tankers 2 AS

Profit & Loss Account

	Note	2019	2018
<u>Operating Income</u>			
Freight income	3	66 860 739	52 775 184
<i>Total Operating income</i>		66 860 739	52 775 184
<u>Operating Expenses</u>			
Crew-hire	10	14 417 228	0
Other operating expenses		9 882 633	0
Administration	8	4 315 858	974 636
<i>Total Operating Expenses</i>		28 615 718	974 636
<i>Operating result before depreciation</i>		38 245 021	51 800 548
Ordinary depreciation	9	43 203 792	31 613 666
<i>Total depreciation and write-downs</i>		43 203 792	31 613 666
<i>Operating Result</i>		-4 958 771	20 186 882
<u>Financial Income and Expenses</u>			
Financial income	4	489 970	642 376
Foreign exchange gain/loss		-933 369	2 943 037
Financial expenses	4	-6 658 621	-8 133 822
<i>Net Financial Items</i>		-7 102 020	-4 548 410
<i>Result before taxes</i>		-12 060 791	15 638 472
Taxes	12	0	0
<i>Result for the year</i>		-12 060 791	15 638 472



Knutsen Shuttle Tankers 2 AS
Balance Sheet as of 31. December

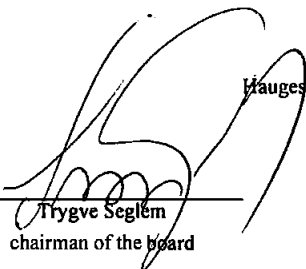
<u>EIENDELER</u>	Note	2019	2018
<u>Fixed Assets</u>			
Vessel	7, 9	94 578 312	137 782 104
<i>Total Fixed Assets</i>		<u>94 578 312</u>	<u>137 782 104</u>
<u>Current Assets</u>			
Inventories		1 217 707	0
Receivables		1 115 790	0
Intercompany receivables	11	22 909 891	108 924
Bank deposits	2	14 618 682	48 904 060
<i>Total Current Assets</i>		<u>39 862 071</u>	<u>49 012 984</u>
<i>TOTAL ASSETS</i>		<u>134 440 383</u>	<u>186 795 088</u>



Knutsen Shuttle Tankers 2 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	Note	2019	2018
<u>Equity</u>			
Share capital	5, 6	100 000	100 000
Other paid-up equity		5 137 403	5 137 403
<i>Total capital paid-in</i>		<u>5 237 403</u>	<u>5 237 403</u>
<u>Retained earnings</u>			
Other equity		49 223 307	61 284 098
<i>Total Shareholders' Equity</i>	5	<u>54 460 710</u>	<u>66 521 501</u>
<u>Long Term Debt</u>			
Mortgage debt	7	65 819 325	118 137 250
<i>Total Long Term Debt</i>		<u>65 819 325</u>	<u>118 137 250</u>
<u>Current Liabilities</u>			
Trade creditors		2 533 395	0
Accrued interest		660 853	1 321 657
Intercompany liabilities	11	10 517 507	662 475
Other current liabilities		448 593	152 205
<i>Total Current Liabilities</i>		<u>14 160 348</u>	<u>2 136 337</u>
<i>Total liabilities</i>		<u>79 979 673</u>	<u>120 273 587</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>134 440 383</u>	<u>186 795 088</u>

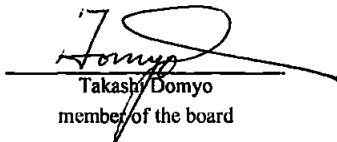
Haugesund, February 21, 2020



Trygve Seglem
chairman of the board



Karl Gerhard Bråstein Dahl
member of the board



Takashi Domyo
member of the board



KNUTSEN SHUTTLE TANKERS 2 AS

CASHFLOW STATEMENT

	2019	2018
Total generated from operations 1)	45 685 839	53 575 888
Change in working capital	<u>-13 110 454</u>	<u>18 616 671</u>
Net cashflow from operations	<u>32 575 385</u>	<u>72 192 559</u>
Net cashflow from investments	<u>0</u>	<u>0</u>
Net repayment long term debt	<u>-66 860 763</u>	<u>-40 077 250</u>
Net cashflow from financing	<u>-66 860 763</u>	<u>-40 077 250</u>
Net cashflow for the year	-34 285 378	32 115 309
+ Cash balance per 1.1	<u>48 904 060</u>	<u>16 788 750</u>
= Cash Balance per 31.12.	<u>14 618 682</u>	<u>48 904 060</u>
1) Generated from operations:		
Result for the year before taxes	-12 060 791	15 638 472
+ Ordinary depreciation	43 203 792	31 613 666
- Realised gain/loss long term debt	<u>14 542 838</u>	<u>6 323 750</u>
= Total generated from operations	<u>45 685 839</u>	<u>53 575 888</u>



KNUTSEN SHUTTLE TANKERS 2 AS

Notes to the Financial Statement 31.12.2019

1 Accounting Principles

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

Current Assets/Current Liabilities

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

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

The fixed assets are valued to the lowest of the depreciated value and the market value unless the fall in value is assumed to be temporary. Long-term debt is stated at nominal value.

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 cash flow exceed the borrowed amount. To the extent that long-term debt exceeds the net nominal cash 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.

Income

Income from the contract are denominated in USD and is recorded in line with the earning.



Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated to zero at the date 25 years after delivery.

Dry-docking expenses are capitalised and depreciated 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 portion of the dry-docking expenses are included in the profit and loss statement under "Other operating expenses".

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.

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. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers services to the Company performed by corporate functions like management, legal, accounting and controlling, risk management and commercial management.



2 Bank deposits

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

3 Contracts

Loch Rannoch operates in CoA, short-term time charter and spot market through participation in Knutsen Shuttle Pool Tankers AS which at the end of 2019 operated six shuttle tankers.

Loch Rannoch is operated by KNOT Management AS on behalf of the company in accordance with separate management agreements.

4 Financial Income and -Expenses

	2019	2018
Financial Income:		
Interest income from group companies	78 163	63 468
Other interest income	411 807	578 908
Total financial income	489 970	642 376
Financial expenses:		
Interest expenses to group companies	125 166	150 797
Interest expenses	5 428 660	6 804 686
Guarantee cost to group companies	818 625	1 169 197
Other financial expenses to group companies	269 719	0
Other financial expenses	16 450	9 141
Total financial expenses	6 658 621	8 133 822

5 Equity

Specification of the equity per 31.12.

	Share capital	Additional paid-in capital	Other equity	Total equity
Equity 1.1	100 000	5 137 403	61 284 098	66 521 500
Result for the year	0	0	-12 060 791	-12 060 791
Equity 31.12.	100 000	5 137 403	49 223 307	54 460 710

Share capital consist of 100 shares à NOK 1,000

The company is a wholly owned subsidiary of Knutsen Offshore Tankers 2 AS. Financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.

6 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.



7 Mortgage Debt and Financial Instruments

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.

31.12.19	USD	Historical rate	Rate per 31.12	NOK
USD-loan	<u>9 750 000</u>	6,7507	6,7507	<u>65 819 325</u>
Current portion	<u>9 750 000</u>			<u>65 819 325</u>

31.12.18	USD	Historical rate	Rate per 31.12	NOK
USD-loan	<u>17 500 000</u>	6,7507	6,7507	<u>118 137 250</u>
Current portion	<u>7 750 000</u>			<u>52 317 925</u>

The USDNOK exchange rate at the year-end was 8,8176 (8,6911 in 2018)

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 31.12.2019 the not recorded foreign exchange loss (i.e. off-balance) is NOK 20.2 million compared to a loss of NOK 34.0 million as per 31.12.2018.

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

Book value of mortgaged assets is NOK 94.6 million (NOK 137.8 million in 2018)

Estimated outstanding debt per year end 2024 is USD 0 million.

8 Remuneration

The company have not paid salary or any other remuneration, nor given any loan or guarantees to any leading person or board members during the year.

Auditors remuneration (not including VAT):	2019	2018
Audit	35 055	33 723
Tax services	0	0
Other services besides audit	0	0
Sum	<u>35 055</u>	<u>33 723</u>



9 Fixed Assets and Dry-Docking

<u>Vessel</u>	2019	2018
Historical value 1.1.	408 755 450	428 390 175
Acc. Depreciaton 1.1.	288 013 482	258 994 405
Book Value 1.1.	120 741 968	169 395 770
Allocation to dry-dock	0	-19 634 725
Ordinary annual depreciation	35 339 112	29 019 077
Book value 31.12.	85 402 856	120 741 968

<u>Dry-Docking</u>	2019	2018
Historical value 1.1.	19 634 725	0
Acc. Depreciaton 1.1.	2 594 589	0
Book Value 1.1.	17 040 136	0
Additions	0	19 634 725
Ordinary annual depreciation	7 864 680	2 594 589
Book value 31.12.	9 175 456	17 040 136

Book value vessel 31.12. 94 578 312 137 782 104

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

10 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew, organized by ship manager.

11 Intercompany balances

	2019	2018
<u>Short-term liabilities to group companies</u>		
Knutsen Bøyelaster VI KS	25 644	148 292
KNOT Management AS	879 718	117 752
Knutsen NYK Offshore Tankers AS	9 612 145	0
KNOT Shuttle Tankers 22 AS	0	396 432
Knutsen O.A.S Shipping AS	871 814	0
Knutsen O.A.S Crewing AS	56 430	0
	11 445 751	662 476
<u>Receivables</u>		
KNOT Shuttle Tankers 24 AS	169	0
Knutsen Shuttle Tankers Pool AS	22 909 891	0
Knutsen NYK Offshore Tankers AS	0	108 924
	22 910 060	108 924



12 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 are within the tonnage tax scheme and therefor imposed tonnage tax, which in 2019 amounted to NOK 152 205 (and NOK 152 205 in 2018). Tonnage tax is classified as an operating expense.

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

	<u>2019</u>	<u>Change</u>	<u>2018</u>
Loss carried forward	-22 086 287	-6 353 406	-15 732 881
Basis for deferred tax (benefit)	-22 086 287	-6 353 406	-15 732 881
Deferred tax (benefit) booked	0	0	0

Taxable result tonnage tax scheme:

	<u>2019</u>	<u>2018</u>
Net financial items	-7 102 020	-4 548 410
Foreign exchange hedge over income	-14 542 838	-6 323 750
Non-deductable interest expences	4 038 313	5 465 593
Non-taxable interest tax	12	0
Non-taxable currency gain	11 253 126	2 656 553
Taxable income before loss carried forward	-6 353 406	-2 750 013
Loss carried forward	-6 353 406	-2 750 013
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Knutsen Shuttle Tankers 2 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Knutsen Shuttle Tankers 2 AS, which comprise the balance sheet as at 31 December 2019, the profit & loss account, and statements of cash flows and 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 2019 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) are 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, 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.



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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, 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.



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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, 21 February 2020
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Magnus Hegertun Birkeland
State Authorised Public Accountant (Norway)