



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 914 021 251
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 26 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: 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: 11.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 24.03.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Freight income	3	195 452 038	178 901 067
Other operating income		13 948	18 339
Sum inntekter		195 465 986	178 919 406
Kostnader			
Crew-hire	11	21 173 303	22 403 032
Ordinary depreciation	4	48 246 572	48 219 450
Other operating expenses		18 215 802	16 194 670
Administration	10	6 396 994	5 927 316
Sum kostnader		94 032 671	92 744 468
Driftsresultat		101 433 315	86 174 938
Finansinntekter og finanskostnader			
Financial income	6	76 103	410 959
Foreign exchange gain/loss		-387 048	1 794 165
Sum finansinntekter		-310 945	2 205 124
Financial expenses	6	30 357 491	34 087 520
Sum finanskostnader		30 357 491	34 087 520
Netto finans		-30 668 436	-31 882 396
Ordinært resultat før skattekostnad		70 764 879	54 292 541
Taxes	12		
Ordinært resultat etter skattekostnad		70 764 879	54 292 541
Årsresultat		70 764 879	54 292 541
Årsresultat etter minoritetsinteresser		70 764 879	54 292 541
Totalresultat		70 764 879	54 292 541



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12		
Varige driftsmidler			
Vessel	4, 5	940 181 476	988 323 168
Sum varige driftsmidler		940 181 476	988 323 168
Sum anleggsmidler		940 181 476	988 323 168
Omløpsmidler			
Varer			
Inventories	13	1 143 427	1 901 568
Sum varer		1 143 427	1 901 568
Fordringer			
Receivables	7	4 519 721	6 095 049
Konsernfordringer		383 619	
Sum fordringer		4 903 340	6 095 049
Bankinnskudd, kontanter og lignende			
Bank deposits	2	16 475 543	10 192 301
Sum bankinnskudd, kontanter og lignende		16 475 543	10 192 301
Sum omløpsmidler		22 522 311	18 188 918
SUM EIENDELER		962 703 787	1 006 512 086
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	8, 9	100 000	100 000
Overkurs		2 064	2 064



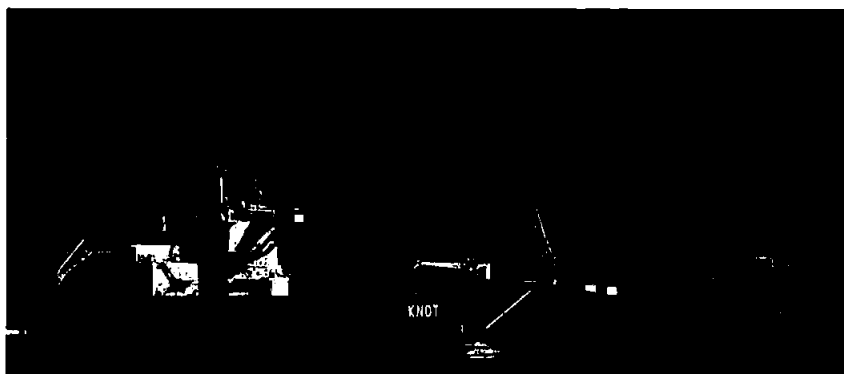
Balanse

Beløp i: NOK	Note	2020	2019
Annen innskutt egenkapital		247 810 880	265 190 208
Sum innskutt egenkapital		247 912 944	265 292 273
Opptjent egenkapital			
Other equity		70 764 879	58 957 471
Sum opptjent egenkapital		70 764 879	58 957 471
Sum egenkapital	8	318 677 823	324 249 744
Gjeld			
Langsiktig gjeld			
Utsatt skatt	12	295 210	369 031
Sum avsetninger for forpliktelser		295 210	369 031
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5	637 115 206	676 765 820
Langsiktig konserngjeld	7		
Other long term liabilities related parties	5		
Sum annen langsiktig gjeld		637 115 206	676 765 820
Sum langsiktig gjeld		637 410 416	677 134 851
Kortsiktig gjeld			
Leverandørgjeld	7	2 602 841	718 581
Tax payable	12	73 821	92 258
Kortsiktig konserngjeld		954 982	1 418 935
Accrued interest		2 226 424	1 145 292
Other current liabilities		757 479	1 752 425
Sum kortsiktig gjeld		6 615 547	5 127 491
Sum gjeld		644 025 964	682 262 342
SUM EGENKAPITAL OG GJELD		962 703 787	1 006 512 086



KNOT Shuttle Tankers 26 AS

Annual Report 2020



M/T “Lena Knutsen”

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 26 AS

REPORT OF THE BOARD OF DIRECTORS 2020

KNOT Shuttle Tankers 26 AS owns one 158,000 DWT suez-max DP2 shuttle tanker, M/T Lena Knutsen, delivered from Hyundai Heavy Industries Co., Ltd. in South Korea in 2017.

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 vessel and the company in accordance with separate agreement.

The company's activity

The company vessel operates under a 5-year fixed contract with Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell, the fixed period ending January 2022. In December 2020, the company entered into a new three-year fixed contract with Brazil Shipping I Limited, the newly agreed contracts are schedule to commence in 2023.

Result for the year

The company's operating income during 2020 was NOK 195 465 986 (NOK 178 919 406 in 2019). The operating result for the year was NOK 101 433 315, compared to NOK 86 174 938 in 2019. The financial loss was NOK 30 668 436 in 2020 compared to NOK 31 882 396 in 2019. The result for the year was NOK 70 764 879, compared to NOK 54 292 541 the year before.

The Board of Directors suggests the result for the year are transferred to other equity. The equity ratio at year-end was 33 % (32 % the year before).

Total cash flow from operating activities in the company was NOK 128 745 477, compared to NOK 105 516 497 in 2019.

The company's short-term debt per 31.12.2020 was 1.0 % of total debt, 0.75 % at 31.12.19.

The liquidity balance was NOK 16 475 543 as at 31.12.2020 (NOK 10 192 301 at 31.12.19).

Total capital was by the end of the year NOK 962 703 787, NOK 1 006 512 086 at 31.12.19.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. However, 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 group has not entered into any forward contracts or other agreements to reduce the company's foreign exchange risk, hence the operating related market risk.

The company is also exposed to changes in the interest rate level, as it has long-term debt carrying floating interest rate. The company has entered into USD 62.5 million in interest rate swaps to reduce the company's interest rate 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 environment and safety in the operations of the vessels are increasing, and both the Company, KNOT Management AS as manager and the KNOT Offshore Partners 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 indications that the company pollutes the external environment significantly, and the board of directors considers the working conditions as satisfactory. All certificates are valid. M/T Lena Knutsen is 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 vessel is operated on a long-term charter with Brazil Shipping I Limited with charterers option to extend the contract.

Based on the operation of the vessel in 2020, the long-term financing and the long-term employment of the vessel the Board of Directors of KNOT Shuttle Tankers 26 AS expects 2021 to be a satisfactory year for the vessel and the company.

Haugesund, March 10, 2021



Trygve Seglem
Chairman of the Board



Takashi Domyo
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 26 AS

Profit & Loss Account

	Note	2020	2019
<u>Operating Income</u>			
Freight income	3	195 452 038	178 901 067
Other operating income		13 948	18 339
<i>Total Operating income</i>		<u>195 465 986</u>	<u>178 919 406</u>
<u>Operating Expenses</u>			
Crew-hire	11	21 173 303	22 403 032
Other operating expenses		18 215 802	16 194 670
Administration	10	6 396 994	5 927 316
<i>Total Operating Expenses</i>		<u>45 786 099</u>	<u>44 525 018</u>
Ordinary depreciation	4	48 246 572	48 219 450
<i>Operating Result</i>		<u>101 433 315</u>	<u>86 174 938</u>
<u>Financial Income and Expenses</u>			
Financial income	6	76 103	410 959
Foreign exchange gain/loss		-387 048	1 794 165
Financial expenses	6	-30 357 491	-34 087 520
<i>Net Financial Items</i>		<u>-30 668 436</u>	<u>-31 882 396</u>
<i>Result before taxes</i>		<u>70 764 879</u>	<u>54 292 541</u>
Taxes	12	0	0
<i>Result for the year</i>		<u>70 764 879</u>	<u>54 292 541</u>




KNOT Shuttle Tankers 26 AS
Balance Sheet as of 31. December

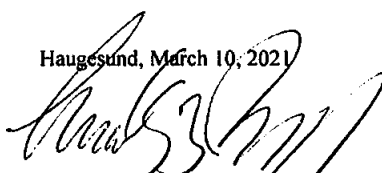
	Note	2020	2019
<u>Assets</u>			
<u>Fixed assets</u>			
Vessel	4, 5	940 181 476	988 323 168
<i>Total Fixed Assets</i>		<u>940 181 476</u>	<u>988 323 168</u>
<u>Current Assets</u>			
Inventories	13	1 143 427	1 901 568
Receivables	7	4 519 721	6 095 049
Current receivables group		383 619	0
Bank deposits	2	16 475 543	10 192 301
<i>Total Current Assets</i>		<u>22 522 311</u>	<u>18 188 918</u>
TOTAL ASSETS		<u>962 703 787</u>	<u>1 006 512 086</u>



KNOT Shuttle Tankers 26 AS
Balance Sheet as of 31. December

	Note	2020	2019
<u>Shareholders Equity and Liabilities</u>			
<u>Equity</u>			
Share capital	8, 9	100 000	100 000
Share premium		2 064	2 064
Other paid-up equity		247 810 880	265 190 208
<i>Total capital paid-in</i>		<u>247 912 944</u>	<u>265 292 273</u>
Other equity		70 764 879	58 957 471
<i>Total Shareholders' Equity</i>	8	<u>318 677 823</u>	<u>324 249 744</u>
<u>Long-Term Liabilities</u>			
Deferred tax	12	295 210	369 031
Liabilities to financial institutions	5	637 115 206	676 765 820
<i>Total Long-Term Liabilities</i>		<u>637 410 416</u>	<u>677 134 851</u>
<u>Current Liabilities</u>			
Accounts payable	7	2 602 841	718 581
Accrued interest		2 226 424	1 145 292
Tax payable	12	73 821	92 258
Current liabilities group		954 982	1 418 935
Other current liabilities		757 479	1 752 425
<i>Total Current Liabilities</i>		<u>6 615 547</u>	<u>5 127 491</u>
<i>Total liabilities</i>		<u>644 025 964</u>	<u>682 262 342</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>962 703 787</u>	<u>1 006 512 086</u>


Trgve Sjølem
chairman of the board

Haugesund, March 10, 2021

Karl Gerhard Bråstein Dahl
member of the board


Takashi Bomyo
member of the board



KNOT SHUTTLE TANKERS 26 AS

CASHFLOW STATEMENT

	2020	2019
Total generated from operations 1)	125 381 392	106 158 901
Paid taxes	-92 258	-120 564
Change in working capital	<u>3 456 343</u>	<u>-521 840</u>
Net cashflow from operations	<u>128 745 477</u>	<u>105 516 497</u>
Invested in vessel	<u>-104 881</u>	<u>0</u>
Net cashflow from investments	<u>-104 881</u>	<u>0</u>
Paid out dividend	-76 336 800	-60 197 080
Paid installments mortgage debt	<u>-46 020 555</u>	<u>-43 253 158</u>
Net cashflow from financing	<u>-122 357 355</u>	<u>-103 450 238</u>
Net cashflow for the year	6 283 242	2 066 259
+ Cash balance per 01.01.	<u>10 192 301</u>	<u>8 126 043</u>
= Cash Balance per 31.12.	<u>16 475 543</u>	<u>10 192 301</u>

1) Generated from operations:

Result before taxes	70 764 879	54 292 541
+Ordinary depreciation	48 246 572	48 219 450
+Amortization deferred debt issuance cost	1 596 606	1 640 972
+ Realized currency gain mortgage debt	<u>4 773 335</u>	<u>2 005 938</u>
= Total generated from operations	<u>125 381 392</u>	<u>106 158 901</u>



KNOT SHUTTLE TANKERS 26 AS

Notes to the Financial Statement 31.12.2020

1 Accounting Principles

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

Current Assets/Current Liabilities

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

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

Income

The income from 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.

Inventories

Inventories are valued according to the net realisable value principle.

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 expensed over the period till the next dry-docking. This is in line with the depreciation plan of the vessel, and takes into account that the vessel is classified to operate for an additional period. Dry-docking is carried out every 5th year for vessels less than 15 years, and every 2.5 year for vessels more than 15 years. In the case of a newbuilding, a portion of the total cost of the vessel equal to the dry-docking cost is capitalised. Actual expenses related to repair and maintenance of the vessel are expensed when the work is executed.

The fixed assets are valued according to the lowest of the depreciated value and the market value unless the fall in value is assumed to be temporary.



Transactions in Foreign Currency

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

All current assets and current liabilities in foreign currency are registered at the rate of exchange as per 31.12. Realised foreign exchange gain and loss are registered as financial items.

The debt is valued at the historical rate, to the extent that the future net nominal income flow exceed the borrowed amount. To the extent that long-term debt exceeds the net nominal income flow, the unrealised foreign exchange loss on the exceeding amount is recorded.

Realized and unrealized profit and loss on foreign exchange are recorded as financial income / expenses.

Interest-bearing loan and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recorded in the profit and loss over the period of the interest-bearing liabilities. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the net profit and loss statement when the liabilities are devalued or depreciated, as well as through the amortization process.

Financial Instruments

The treatment of foreign exchange and interest rate instruments depends on the intention behind the agreement.

If the intention of the contracts is to hedge the company's exposure against fluctuations in interest rates and foreign exchange rates, then the income and expenses related to the hedging and the corresponding items in the balance sheet are classified in the same manner.



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 and KNOP group. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers ship management services for the Company's vessel. Ship management fee includes services like technical management, crewing management, IT and energy management.

2 Bank deposits

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

3 Contracts

The company vessel operate under a 5 year fixed contract with Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell , the fixed period ending September 2022. In December 2020, the company entered into a new three year fixed contract with Brazil Shipping I Limited, the newly agreed contracts are schedule to commence in 2023.

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



4 Fixed Assets

<u>Vessel</u>	2020	2019
Historical value 01.01.	1 085 752 878	1 085 752 878
Accumulated depreciation 01.01.	109 506 525	66 117 801
Book value 01.01.	976 246 353	1 019 635 077
Annual depreciation	43 388 724	43 388 724
Book value 31.12.	932 857 629	976 246 353

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

<u>Dry-docking</u>	2020	2019
Capitalised dry-docking	24 273 000	24 273 000
Accumulated depreciation dry-docking 01.01.	12 196 185	7 365 459
Capitalised dry-docking 01.01.	12 076 815	16 907 541
Additions/disposals	104 881	0
Annual depreciation	4 857 848	4 830 726
Book value 31.12.	7 323 847	12 076 815
Total book value vessel 31.12.	940 181 476	988 323 168

5 Mortgage Debt and Financial Instruments

<u>31.12.2020</u>	USD	Historical rate	Rate as at 31.12.	NOK
USD-loan	75 950 000	8,4178	8,4178	639 331 910
Deferred debt issuance				-2 216 704
				637 115 206
Current portion:				
USD-loan	4 900 000	8,4178	8,4178	41 247 220
Deferred debt issuance				-1 541 144
				39 706 076

<u>31.12.2019</u>	USD	Historical rate	Rate as at 31.12.	NOK
USD-loan	80 850 000	8,4178	8,4178	680 579 130
Deferred debt issuance				-3 813 310
				676 765 820
Current portion:				
USD-loan	4 900 000	8,4178	8,4178	41 247 220
Deferred debt issuance				-1 596 598
				39 650 622

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



The company has aimed to reduce the market risk by entering financial contracts. Hedge accounting has been applied for revenue in USD (cash flow hedge). Loans in USD are used as hedging instrument. The profit and loss impact of the hedging instrument (loan in USD) is presented together with the hedged risk. This implies that realized currency gain/losses on the loans are presented as an increase/reduction of operating income.

Future income flows from anticipated fixed contracts in USD exceed debt in USD. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate. Per 31.12.2020 the not recorded foreign exchange loss (i.e. off-balance) is NOK 9 million compared to a loss of NOK 32 million as per 31.12.2019.

Security for the loan is made through a first priority in the vessel, transportation of income, pledged bank deposit, factoring agreement, pledged shares in the company and guarantees from the owner and KNOT Offshore Partners LP.

The company has aimed to reduce the market risk by entering financial contracts. The company has entered long term freight contracts in USD, with the intention of having income, vessel investment and loans in the same currency in order to minimize the effects of exchange rate fluctuations. The company has also entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. The company has entered agreements on fixed rates on USD 62.5 million. Mark to market loss on interest swaps have not been taken into account with USD 3.5 million (loss of USD 0.05 million last year).

Book value of mortgaged assets is NOK 963 million (NOK 1 007 million in 2019).

The estimated outstanding debt per 31.12.2020 is USD 51.5 million.

6 **Financial Income and -Expenses**

	<u>2020</u>	<u>2019</u>
Financial Income:		
Other interest income	76 103	410 959
Total financial income	<u>76 103</u>	<u>410 959</u>
Financial expenses:		
Interest expenses	26 478 007	30 271 874
Guarantee expenses group companies/related parties	3 587 299	3 538 965
Other financial expenses	292 184	276 682
Total financial expenses	<u>30 357 491</u>	<u>34 087 520</u>

7 **Related parties balances**

	<u>2020</u>	<u>2019</u>
Receivables		
KNOT FSO 1 AS	0	4 442
KNOT FSO 2 AS	0	4 442
KNOT Management AS	1 774 537	1 654 116
Knutsen OAS Shipping AS	0	1 922 694
	<u>1 774 537</u>	<u>3 585 694</u>



	<u>2020</u>	<u>2019</u>
Accounts payable		
Knutsen OAS Crewing AS	67 919	43 965
Knutsen OAS Management AS	0	1 589
KNOT Management AS	145 807	161 417
Knutsen OAS Shipping AS	1 292 456	0
	<u>1 506 183</u>	<u>206 971</u>

8 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Additional paid-in capital	Other equity	Total equity
Equity 01.01.	100 000	2 064	265 190 208	58 957 471	324 249 744
Result for the year	0	0	0	70 764 879	70 764 879
Extraordinary dividend paid-out	0	0	-17 379 328	-58 957 471	-76 336 800
Equity 31.12.	<u>100 000</u>	<u>2 064</u>	<u>247 810 880</u>	<u>70 764 879</u>	<u>318 677 823</u>

Share capital consist of 100 shares à NOK 1,000, all held 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/>.

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 27.84% of KNOT Offshore Partners LP.

10 Remuneration

The company have not paid salary or any other remuneration, nor given any loan or guarantees to any leading

Auditors remuneration (excl. VAT):	<u>2020</u>	<u>2019</u>
Audit	37 638	36 033
Tax advice	0	0
Other services besides audit	0	0
	<u>37 638</u>	<u>36 033</u>

11 Employees

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

Specification:	<u>2020</u>	<u>2019</u>
Grants crew expenses	2 866 492	2 431 947



12 Tax

The company is taxed based on the shipping tax regime after entrance to the regime in 2016. This means that companies are not taxed on the basis of its operating results. There are however ordinary tax of 22% on the company's net financial income. At the same time the company is within the tonnage tax scheme, the tonnage tax is calculated, which in 2020 amounted to NOK 156 174 (NOK 156 174 in 2019). Tonnage tax is classified as an operating expense.

Temporary differences relating to financial items are assessed when calculating deferred tax / benefit, which is 22 % of net temporary differences. The accounting treatment follows the general valuation rules for capitalization.

Entrance to the tonnage tax regime resulted in an entrance tax. Entrance tax is calculated as the difference between the market value and the tax value.

Entrance tax

	<u>2020</u>	<u>2019</u>
Gain and loss account 01.01.	1 677 414	2 096 768
Short-term tax payable basis (20%)	335 483	419 354
Long-term tax payable basis (80%)	1 341 932	1 677 414
Incoming balance long-term	369 031	461 289
Tax payable short-term	73 806	92 258
Tax payable long-term	295 225	369 031
Payable tax costs calculated	0	0

Specification on the temporary differences:

	<u>31.12.2020</u>	<u>Change</u>	<u>31.12.2019</u>
Gain and loss account	1 341 932	335 483	1 677 414
Loss carried forward	-25 478 186	8 784 665	-16 693 521
Temporary differences	-24 136 254	9 120 148	-15 016 107
Calculated deferred tax	-5 309 976	-2 006 433	-3 303 543
Deferred tax in balance	295 225	-73 806	369 031

Deferred tax assets related to losses carried forward are only recognized to the extent that there is convincing evidence that these will be utilized in the future.



Tax cost	2020	2019
Financial Results	-30 668 436	-31 882 396
Non-deductible interest / taxable interest	21 595 427	34 003 393
Foreign exchange gain/loss, not taxable	288 343	-1 797 121
Tax base prior losses carried forward	-8 784 665	323 875
Change in tax losses carried forward	-8 784 665	323 875
Base for tax payable	0	0
Tax payable	73 806	92 258
Change deferred tax	-73 806	-92 258
Tax costs calculated	0	0

13 Inventories

Inventories refer to lube oil as per 31 December.



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 26 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 26 AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

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individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 10 March 2021
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report - KNOT Shuttle Tankers 26 AS

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Johan Nordby

Statsautorisert revisor

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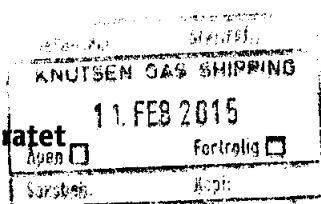
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Skattedirektoratet



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