



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

### Enheten

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

### Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

### 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: 31.03.2017

### Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert  
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

*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 | 2016              | 2015              |
|---|------|-------------------|-------------------|
| <b>RESULTATREGNSKAP</b>                                       |      |                   |                   |
| <b>Inntekter</b>  |      |                   |                   |
| Freight income  | 3    | 53 400 115        | 51 776 942        |
| <b>Sum inntekter</b>  |      | <b>53 400 115</b> | <b>51 776 942</b> |
| <b>Kostnader</b>  |      |                   |                   |
| Crew-hire   | 10   |                   |                   |
| Ordinary depreciation   | 9    | 30 193 065        | 29 988 000        |
| Ordinary depreciation - dry docking                           | 9    |                   |                   |
| Nedskrivning av varige driftsmidler og immaterielle eiendeler | 9    |                   |                   |
| Administration  | 8    | 876 737           | 701 633           |
| <b>Sum kostnader</b>  |      | <b>31 069 802</b> | <b>30 689 633</b> |
| <b>Driftsresultat</b>   |      | <b>22 330 313</b> | <b>21 087 309</b> |
| <b>Finansinntekter og finanskostnader</b>                     |      |                   |                   |
| Financial income  | 4    | 20 869            | 31 779            |
| Foreign exchange gain/loss                                    |      | -88 366           | 1 500 571         |
| <b>Sum finansinntekter</b>                                    |      | <b>-67 497</b>    | <b>1 532 350</b>  |
| Financial expenses  | 4    | 8 536 676         | 8 451 210         |
| <b>Sum finanskostnader</b>                                    |      | <b>8 536 676</b>  | <b>8 451 210</b>  |
| <b>Netto finans</b>   |      | <b>-8 604 173</b> | <b>-6 918 860</b> |
| <b>Ordinært resultat før skattekostnad</b>                    |      | <b>13 726 140</b> | <b>14 168 449</b> |
| Taxes   | 12   |                   |                   |
| <b>Ordinært resultat etter skattekostnad</b>                  |      | <b>13 726 140</b> | <b>14 168 449</b> |
| <b>Årsresultat</b>  |      | <b>13 726 140</b> | <b>14 168 449</b> |
| <b>Årsresultat etter minoritetsinteresser</b>                 |      | <b>13 726 140</b> | <b>14 168 449</b> |
| <b>Totalresultat</b>  |      | <b>13 726 140</b> | <b>14 168 449</b> |



## Balanse

| Beløp i: NOK                                   | Note | 2016               | 2015               |
|--|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                    |
| <b>Anleggsmidler</b>                           |      |                    |                    |
| <b>Immaterielle eiendeler</b>                  |      |                    |                    |
| Utsatt skattefordel                            | 12   |                    |                    |
| <b>Varige driftsmidler</b>                     |      |                    |                    |
| Vessel   | 7, 9 | 199 735 310        | 229 928 375        |
| Dry-docking                                    | 7, 9 |                    |                    |
| <b>Sum varige driftsmidler</b>                 |      | <b>199 735 310</b> | <b>229 928 375</b> |
| <b>Finansielle anleggsmidler</b>               |      |                    |                    |
| Lån til foretak i samme konsern                | 11   |                    |                    |
| <b>Sum anleggsmidler</b>                       |      | <b>199 735 310</b> | <b>229 928 375</b> |
| <b>Omløpsmidler</b>                            |      |                    |                    |
| <b>Varer</b>                                   |      |                    |                    |
| <b>Fordringer</b>                              |      |                    |                    |
| Receivables                                    |      |                    |                    |
| Konsernfordringer                              | 11   |                    | 4 545 583          |
| <b>Sum fordringer</b>                          |      |                    | <b>4 545 583</b>   |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                    |
| Bank deposits                                  | 2    | 26 581 718         | 11 072 319         |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>26 581 718</b>  | <b>11 072 319</b>  |
| <b>Sum omløpsmidler</b>                        |      | <b>26 581 719</b>  | <b>15 617 902</b>  |
| <b>SUM EIENDELER</b>                           |      | <b>226 317 029</b> | <b>245 546 277</b> |

## BALANSE - EGENKAPITAL OG GJELD

### Egenkapital

#### Innskutt egenkapital



## Balanse

| <b>Beløp i: NOK</b>               | <b>Note</b> | <b>2016</b>        | <b>2015</b>        |
|-----------------------------------|-------------|--------------------|--------------------|
| Share capital                     | 5, 6        | 100 000            | 100 000            |
| Annen innskutt egenkapital        |             | 5 137 403          | 5 137 403          |
| <b>Sum innskutt egenkapital</b>   |             | <b>5 237 403</b>   | <b>5 237 403</b>   |
| <b>Opptjent egenkapital</b>       |             |                    |                    |
| Other equity                      |             | 32 811 168         | 19 085 028         |
| <b>Sum opptjent egenkapital</b>   |             | <b>32 811 168</b>  | <b>19 085 028</b>  |
| <b>Sum egenkapital</b>            | 5           | <b>38 048 571</b>  | <b>24 322 431</b>  |
| <b>Gjeld</b>                      |             |                    |                    |
| <b>Langsiktig gjeld</b>           |             |                    |                    |
| <b>Annen langsiktig gjeld</b>     |             |                    |                    |
| Gjeld til kredittinstitusjoner    | 7           | 185 644 250        | 219 397 750        |
| <b>Sum annen langsiktig gjeld</b> |             | <b>185 644 250</b> | <b>219 397 750</b> |
| <b>Sum langsiktig gjeld</b>       |             | <b>185 644 250</b> | <b>219 397 750</b> |
| <b>Kortsiktig gjeld</b>           |             |                    |                    |
| Tax payable                       | 12          |                    |                    |
| Kortsiktig konserngjeld           | 11, 11      | 1 180 699          | 386 981            |
| Accrued interest                  |             | 1 294 181          | 1 290 195          |
| Other current liabilities         |             | 149 328            | 148 920            |
| <b>Sum kortsiktig gjeld</b>       |             | <b>2 624 208</b>   | <b>1 826 096</b>   |
| <b>Sum gjeld</b>                  |             | <b>188 268 458</b> | <b>221 223 846</b> |
| <b>SUM EGENKAPITAL OG GJELD</b>   |             | <b>226 317 029</b> | <b>245 546 277</b> |



## 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

Postboks 9200 Grønland  
0134 Oslo

For elektronisk henvendelse se [www.skatteetaten.no](http://www.skatteetaten.no)

Besøksadresse

Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org. nr: 996250318

Sentralbord

800 80 000  
Telefaks

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 2016



M/T “ Loch Rannoch ”



Knutsen  
Group



NYK GROUP



## KNUTSEN SHUTTLE TANKERS 2 AS

### REPORT OF THE BOARD OF DIRECTORS 2016

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 bare-boat agreement to the group company Knutsen Bøyelaster VI KS. The charter agreement is fixed until April 23, 2019. Knutsen Bøyelaster VI KS participates in Knutsen Shuttle Tankers Pool AS with MT Loch Rannoch for operation in the CoA and spot market of Northern part of Europe. KNOT Management AS is managing the vessel on behalf of Knutsen Bøyelaster VI KS.

#### **Profit for the year**

The operating result for Knutsen Shuttle Tankers 2 AS was NOK 22 330 313 compared to NOK 21 087 309 in 2015. The net financial loss for the year was NOK 8 604 173, compared to NOK 6 918 860 the previous year. The result for the year became NOK 13 726 140 compared to NOK 14 168 449 the year before.

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

The liquidity position was NOK 26 581 718 as per 31.12.2016 compared to NOK 11 072 319 as per 31.12.2015. The company's ability to self-finance investments is good.

The company's short term debts per 31.12.2016 was 1.39 % of total debt, compared to 0.83 % as of 31.12.15. The financial position is satisfactory.

Total capital was by the end of the year NOK 226 317 029, compared to NOK 245 546 277 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 company's vessel is on a long term charter to Knutsen Bøyelaster VI KS and the Board of Directors has thus reason to believe that 2017 will be another satisfactory year for the company.

Haugesund, February 28, 2017



Trygve Seglem  
*Chairman of the Board*



Fumitake Shishido  
*Member of the Board*



Karl Gerhard Bråstein Dahl  
*Member of the Board*



## Knutsen Shuttle Tankers 2 AS

### Profit & Loss Account

|   | Note | 2016              | 2015              |
|---|------|-------------------|-------------------|
| <b><u>Operating Income</u></b>              |      |                   |                   |
| Freight income                              | 3    | 53 400 115        | 51 776 942        |
| <i>Total Operating income</i>               |      | <u>53 400 115</u> | <u>51 776 942</u> |
| <b><u>Operating Expenses</u></b>            |      |                   |                   |
| Administration                              | 8    | 876 737           | 701 633           |
| <i>Total Operating Expenses</i>             |      | <u>876 737</u>    | <u>701 633</u>    |
| <i>Operating result before depreciation</i> |      | <u>52 523 378</u> | <u>51 075 309</u> |
| Ordinary depreciation                       | 9    | 30 193 065        | 29 988 000        |
| <i>Total depreciation and write-downs</i>   |      | <u>30 193 065</u> | <u>29 988 000</u> |
| <i>Operating Result</i>                     |      | <u>22 330 313</u> | <u>21 087 309</u> |
| <b><u>Financial Income and Expenses</u></b> |      |                   |                   |
| Financial income                            | 4    | 20 869            | 31 779            |
| Foreign exchange gain/loss                  |      | -88 366           | 1 500 571         |
| Financial expenses                          | 4    | -8 536 676        | -8 451 210        |
| <i>Net Financial Items</i>                  |      | <u>-8 604 173</u> | <u>-6 918 860</u> |
| <i>Result before taxes</i>                  |      | <u>13 726 140</u> | <u>14 168 449</u> |
| Taxes                                       | 12   | 0                 | 0                 |
| <i>Result for the year</i>                  |      | <u>13 726 140</u> | <u>14 168 449</u> |



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


|                              | Note | 2016               | 2015               |
|------------------------------|------|--------------------|--------------------|
| <b><u>Fixed Assets</u></b>   |      |                    |                    |
| Vessel                       | 7, 9 | 199 735 310        | 229 928 375        |
| <i>Total Fixed Assets</i>    |      | <u>199 735 310</u> | <u>229 928 375</u> |
| <b><u>Current Assets</u></b> |      |                    |                    |
| Intercompany receivables     | 11   | 0                  | 4 545 583          |
| Bank deposits                | 2    | 26 581 718         | 11 072 319         |
| <i>Total Current Assets</i>  |      | <u>26 581 719</u>  | <u>15 617 902</u>  |
| <i>TOTAL ASSETS</i>          |      | <u>226 317 029</u> | <u>245 546 277</u> |





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

| <u>Shareholders Equity and Liabilities</u>  | Note | 2016               | 2015               |
|---|------|--------------------|--------------------|
| <b>Equity</b>                               |      |                    |                    |
| Share capital                               | 5, 6 | 100 000            | 100 000            |
| Other paid-in equity                        |      | 5 137 403          | 5 137 403          |
| <i>Total capital paid-in</i>                |      | <u>5 237 403</u>   | <u>5 237 403</u>   |
| <b>Retained earnings</b>                    |      |                    |                    |
| Other equity                                |      | 32 811 168         | 19 085 028         |
| <i>Total Shareholders' Equity</i>           | 5    | <u>38 048 571</u>  | <u>24 322 431</u>  |
| <b>Long Term Debt</b>                       |      |                    |                    |
| Mortgage debt                               | 7    | 185 644 250        | 219 397 750        |
| <i>Total Long Term Debt</i>                 |      | <u>185 644 250</u> | <u>219 397 750</u> |
| <b>Current Liabilities</b>                  |      |                    |                    |
| Accrued interest                            |      | 1 294 181          | 1 290 195          |
| Intercompany liabilities                    | 11   | 1 180 699          | 386 981            |
| Other current liabilities                   |      | 149 328            | 148 920            |
| <i>Total Current Liabilities</i>            |      | <u>2 624 208</u>   | <u>1 826 096</u>   |
| <i>Total liabilities</i>                    |      | <u>188 268 458</u> | <u>221 223 846</u> |
| <i>SHAREHOLDERS' EQUITY AND LIABILITIES</i> |      | <u>226 317 029</u> | <u>245 546 277</u> |

Haugesund, February 28, 2017

  
Trygve Seglem  
chairman of the board

  
Karl Gerhard Bråstein Dahl  
member of the board

  
Fumitake Shishido  
member of the board



**KNUTSEN SHUTTLE TANKERS 2 AS**

**CASHFLOW STATEMENT**

|                                     | <b>2016</b>              | <b>2015</b>              |
|-------------------------------------|--------------------------|--------------------------|
| Total generated from operations 1)  | 52 358 580               | 50 175 199               |
| Change in working capital           | <u>5 343 695</u>         | <u>463 228</u>           |
| Net cashflow from operations        | <u>57 702 275</u>        | <u>50 638 427</u>        |
| Invested in vessel                  | 0                        | 0                        |
| Net repaid loans to group companies | <u>0</u>                 | <u>2 366 026</u>         |
| Net cashflow from investments       | <u>0</u>                 | <u>2 366 026</u>         |
| Net repayment long term debt        | -42 192 875              | -39 772 250              |
| Group contribution paid             | <u>0</u>                 | <u>-6 911 609</u>        |
| Net cashflow from financing         | <u>-42 192 875</u>       | <u>-46 683 859</u>       |
| Net cashflow for the year           | 15 509 399               | 6 320 593                |
| + Cash balance per 1.1              | <u>11 072 319</u>        | <u>4 751 726</u>         |
| <b>= Cash Balance per 31.12.</b>    | <b><u>26 581 718</u></b> | <b><u>11 072 319</u></b> |
| 1) Generated from operations:       |                          |                          |
| Result for the year before taxes    | 13 726 140               | 14 168 449               |
| + Ordinary depreciation             | 30 193 065               | 29 988 000               |
| - Realised gain/loss long term debt | <u>8 439 375</u>         | <u>6 018 750</u>         |
| = Total generated from operations   | <u>52 358 580</u>        | <u>50 175 199</u>        |



**KNUTSEN SHUTTLE TANKERS 2 AS**

**Notes to the Financial Statement 31.12.2016**

**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.

**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.

**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 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 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

Knutsen Shuttle Tankers 2 AS have chartered out the vessel MT Loch Rannoch on a bare-boat charterparty to the sister company Knutsen Bøyelaster VI KS until April 2019.

KNOT Management AS are the manager for the company and the vessel.

## 4 Financial Income and -Expenses

|                                      | <u>2016</u>      | <u>2015</u>      |
|--------------------------------------|------------------|------------------|
| <b>Financial Income:</b>             |                  |                  |
| Interest income from group companies | 0                | 30 156           |
| Other interest income                | 20 869           | 1 623            |
| Total financial income               | <u>20 869</u>    | <u>31 779</u>    |
| <b>Financial expenses:</b>           |                  |                  |
| Interest expenses to group companies | 29 875           | 125 797          |
| Interest expenses                    | 6 831 305        | 6 500 447        |
| Guarantee cost to group companies    | 1 668 566        | 1 818 175        |
| Other financial expenses             | 6 931            | 6 791            |
| Total financial expenses             | <u>8 536 676</u> | <u>8 451 210</u> |

## 5 Equity

Specification of the equity per 31.12.

|                     | <u>Share capital</u> | <u>Additional paid-in capital</u> | <u>Other equity</u> | <u>Total equity</u> |
|---------------------|----------------------|-----------------------------------|---------------------|---------------------|
| Equity 1.1          | 100 000              | 5 137 403                         | 19 085 028          | 24 322 431          |
| Result for the year | 0                    | 0                                 | 13 726 140          | 13 726 140          |
| Equity 31.12.       | <u>100 000</u>       | <u>5 137 403</u>                  | <u>32 811 168</u>   | <u>38 048 571</u>   |

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.

|                      | USD               | Historical rate | Rate per 31.12 | NOK                |
|----------------------|-------------------|-----------------|----------------|--------------------|
| 31.12.16<br>USD-loan | <u>27 500 000</u> | 6,7507          | 6,7507         | <u>185 644 250</u> |
| Current portion      | <u>5 000 000</u>  |                 |                | <u>33 753 500</u>  |
| 31.12.15<br>USD-loan | <u>32 500 000</u> | 6,7507          | 6,7507         | <u>219 397 750</u> |
| Current portion      | <u>5 000 000</u>  |                 |                | <u>33 753 500</u>  |

The USDNOK exchange rate at the year-end was 8,6456 (8,7986 in 2015)

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 31.12.2016 the not recorded foreign exchange loss (i.e. off-balance) is NOK 52.1 million compared to a loss of NOK 66.6 million as per 31.12.2015.

Security for the loan is made through a first priority mortgage in the vessel and transportation of income and a second priority mortgage in the vessel Dan Easel owned by the group company KNOT Shuttle Tankers 22 AS.

Book value of mortgaged assets is NOK 199,7 million (NOK 229,9 million in 2015)

Estimated outstanding debt per year end 2021 is USD 2.5 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): | 2016          | 2015          |
|--|---------------|---------------|
| Audit                                      | 31 672        | 15 375        |
| Tax services                               | 0             | 5 850         |
| Other services besides audit               | 0             | 0             |
| Sum  | <u>31 672</u> | <u>21 225</u> |

## 9 Fixed Assets and Dry-Docking

| <u>Vessel</u>                | 2016               | 2015               |
|------------------------------|--------------------|--------------------|
| Historical value 1.1.        | 428 390 175        | 428 390 175        |
| Acc. Depreciaton 1.1.        | 198 461 800        | 168 473 800        |
| Book Value 1.1.              | <u>229 928 375</u> | <u>259 916 375</u> |
| Additions                    | 0                  | 0                  |
| Ordinary annual depreciation | 30 193 065         | 29 988 000         |
| Book value 31.12.            | <u>199 735 310</u> | <u>229 928 375</u> |

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). KNOT Management AS manages the Company in accordance with a separate management agreement.

## 11 Intercompany balances

|  | <u>2016</u>      | <u>2015</u>    |
|--|------------------|----------------|
| <u>Short-term liabilities to group companies/related parties</u> |                  |                |
| Knutsen NYK Offshore Tankers AS                                  | 1 180 699        | 386 981        |
|  | <u>1 180 699</u> | <u>386 981</u> |
| <u>Receivables</u>   |                  |                |
| Knutsen NYK Offshore Tankers AS                                  | 0                | 4 545 583      |

## 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 25% 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 2016 amounted to NOK 149 328 (and NOK 148 920 in 2015). Tonnage tax is classified as an operating expense.

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

|                                  | <u>2016</u> | <u>Change</u> | <u>2015</u> |
|----------------------------------|-------------|---------------|-------------|
| Loss carried forward             | -9 758 877  | -3 030 888    | -6 727 989  |
| Basis for deferred tax (benefit) | -9 758 877  | -3 030 888    | -6 727 989  |
| Deferred tax (benefit) booked    | 0           | 0             | 0           |

Taxable result tonnage tax scheme:

|   | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
| Net financial items                         | -8 604 173  | -6 918 860  |
| Foreign exchange hedge over income          | -8 439 375  | -6 018 750  |
| Non-deductible interest expences            | 6 247 571   | 6 332 287   |
| Non-taxable gain on investments             | 0           | 0           |
| Part of taxable income in the underlying KS | 0           | 0           |
| Non-taxable currency gain                   | 7 765 089   | 4 317 741   |
| Taxable income before loss carried forward  | -3 030 888  | -2 287 581  |
| Loss carried forward                        | -3 030 888  | -2 287 581  |
| Taxable income                              | <u>0</u>    | <u>0</u>    |
| Tax payable                                 | 0           | 0           |
| Change in deferred tax                      | 0           | 0           |
| Tax expense                                 | <u>0</u>    | <u>0</u>    |



Statsautoriserte revisorer  
Ernst & Young AS

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

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00  
Fax: +47 24 00 24 01

www.ey.no  
Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting 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 2016, 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 of Knutsen Shuttle Tankers 2 AS 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 2016 and its financial performance 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, 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 determine 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 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



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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 have fulfilled their 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, 28 February 2017  
ERNST & YOUNG AS

Magnus H. Birkeland  
State Authorised Public Accountant (Norway)

Independent auditor's report - Knutsen Shuttle Tankers 2 AS

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