



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 913 154 576
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 23 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

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: 19.03.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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, 29.04.2021



Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3, 8	111 845 543	120 551 226
Annen driftsinntekt		449 728	191 269
Sum inntekter		112 295 271	120 742 495
Kostnader			
Lønnskostnad	13	25 491 110	20 686 148
Avskrivning på varige driftsmidler og immaterielle eiendeler	6	24 375 858	24 285 921
Annen driftskostnad	12	18 865 672	16 718 174
Sum kostnader		68 732 640	61 690 242
Driftsresultat		43 562 631	59 052 253
Finansinntekter og finanskostnader			
Annen finansinntekt	7	7 701 201	10 264 099
Sum finansinntekter		7 701 201	10 264 099
Annen finanskostnad	7	19 842 818	22 517 567
Sum finanskostnader		19 842 818	22 517 567
Netto finans		-12 141 617	-12 253 468
Ordinært resultat før skattekostnad		31 421 014	46 798 785
Skattekostnad på ordinært resultat	14	6 833 632	11 098 871
Ordinært resultat etter skattekostnad		24 587 382	35 699 914
Årsresultat		24 587 382	35 699 914
Årsresultat etter minoritetsinteresser		24 587 382	35 699 914
Totalresultat		24 587 382	35 699 914



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	14		
Varige driftsmidler			
Skip, rigger, fly og lignende	6, 8, 14	219 765 121	215 013 755
Sum varige driftsmidler		219 765 121	215 013 755
Finansielle anleggsmidler			
Lån til foretak i samme konsern		170 562 030	232 499 980
Investeringer i tilknyttet selskap	5	42 724	9 724
Sum finansielle anleggsmidler		170 604 755	232 509 704
Sum anleggsmidler		390 369 876	447 523 459
Omløpsmidler			
Varer			
Varer	4	2 025 052	1 900 859
Sum varer		2 025 052	1 900 859
Fordringer			
Andre fordringer	9	6 273 152	15 355 236
Konsernfordringer		6 761 881	
Sum fordringer		13 035 033	15 355 236
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	2	24 192 431	31 446 508
Sum bankinnskudd, kontanter og lignende		24 192 431	31 446 508
Sum omløpsmidler		39 252 516	48 702 603
SUM EIENDELER		429 622 392	496 226 062

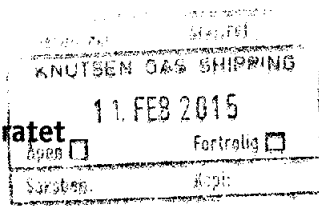


Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	10, 11	100 000	100 000
Overkurs		14 334	14 334
Sum innskutt egenkapital		114 334	114 334
Opptjent egenkapital			
Annen egenkapital		14 359 669	1
Sum opptjent egenkapital		14 359 669	1
Sum egenkapital	10	14 474 003	114 335
Gjeld			
Langsiktig gjeld			
Utsatt skatt	14	27 127 917	23 349 317
Sum avsetninger for forpliktelser		27 127 917	23 349 317
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8		
Øvrig langsiktig gjeld	8	343 328 943	387 585 451
Sum annen langsiktig gjeld		343 328 943	387 585 451
Sum langsiktig gjeld		370 456 860	410 934 768
Kortsiktig gjeld			
Leverandørgjeld	9	21 811 908	3 184 139
Kortsiktig konserngjeld		13 997 105	79 610 653
Annen kortsiktig gjeld	9	8 882 515	2 382 167
Sum kortsiktig gjeld		44 691 529	85 176 959
Sum gjeld		415 148 389	496 111 727
SUM EGENKAPITAL OG GJELD		429 622 392	496 226 062



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: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr. 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



Skattedirektoratets vurdering og konklusjon

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.

De samme fakta og argument for dispensasjon foreligger i denne søknaden som ble vurdert ved innvilgelse av dispensasjon for konsernspissen og enkelte søsterselskap. Selskapenes aktivitet er knyttet til en internasjonal bransje hvor engelsk språk benyttes både internt i selskapene samt mot aksjonærer, og i kommunikasjon med eksterne forretningspartnere. Videre er eierkretsen begrenset.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



KNOT Shuttle Tankers 23 AS

Annual Report 2018



M/T "Grena Knutsen"



Knutsen
Group





KNOT SHUTTLE TANKERS 23 AS

REPORT OF THE BOARD OF DIRECTORS 2018

KNOT Shuttle Tankers 23 AS owns one 148,553 DWT Suez-max shuttle tanker, M/T Grena Knutsen, delivered from Geoje Shipyard, Gyeongnam, in South Korea in 2003.

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

The company's activity

The vessel is operated in Knutsen Shuttle Tankers Pool AS. Knutsen Shuttle Tankers Pool AS operates in February 2019 in addition the shuttle tankers M/T Elisabeth Knutsen, M/T Loch Rannoch, M/T Gerd Knutsen, M/T Karen Knutsen and M/T Jasmine Knutsen. The net result from the pool is distributed between the vessel's as charter hire in accordance with the pool agreement.

Result for the year

The operating result for KNOT Shuttle Tankers 23 AS was NOK 43 562 631 in 2018 after finishing the 15-year class and docking compared to NOK 59 052 253 in 2017. After net financial loss of NOK 12 141 617 in 2018, against a loss of NOK 12 253 468 in 2017, the results of the year were NOK 24 587 382 in 2018 compared to NOK 35 699 914 in 2017.

The Board of Directors proposes that the profit for the year is transferred to other equity and give NOK 11 959 775 in tax deductible group contribution to Knutsen NYK Offshore Tankers AS (NOK 9 209 027 in equity effect taken from other equity).

Total cash flow from operating activities in the company was positive with NOK 81 968 063 compared to NOK 82 012 611 in 2017. The liquidity position was NOK 24 192 431 as per 31.12.2018 compared to NOK 31 446 508 as per 31.12.2017. The company's ability to finance its investments is good. The company have financed the vessel with a financial lease in 2017 and the formal ownership to the vessel is transferred to the charterer under the lease. The outstanding lease obligation is at the end of 2018 USD 45.1 million.

The company's short-term debt per 31.12.2018 was 11 % of total debt (17 % in 2017).

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since the majority of the company's operating expenses and financial costs 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, and thereby operating related market risk.

The company is not exposed to changes in the interest rate level, as the financial lease carrying interest rate is fixed.

Total capital was by the end of the year NOK 429 622 392, NOK 496 226 062 at the end of 2017. The equity share as of 31.12.2018 was 3.4 % up from 0.02 % the year before.



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

The environment safety and quality control

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

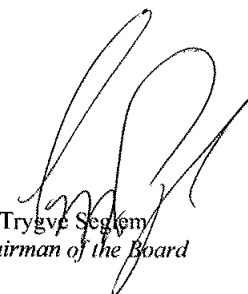
The company is not aware of any significant pollution to the external environment, and the Board of Directors considers the working conditions onboard the ships as satisfactory. The vessel is certified in accordance with both ISM code and the ISPS code.

The company have no employees and thus no working environment. The company aims to be workplace where there is no discrimination related to gender, ethnicity, religion or disability. The company aims to avoid gender discrimination regarding salary, promotion and recruiting. The members of the Board of Directors are all men.

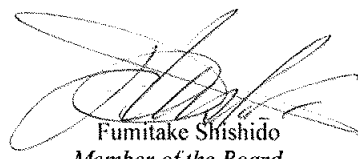
Future prospects

M/T Grena Knutsen is operating in the Northern Europe through Knutsen Shuttle Tankers Pool AS. Based on the operation of the vessel in 2018, the renewed class certificates late in 2018, the long-term financing of the vessel and the employment contract with Knutsen Shuttle Tankers Pool AS the Board of Directors of KNOT Shuttle Tankers 23 AS expects 2019 to be a satisfactory year for the vessel and the company.


Haugesund, March 7, 2019



Trygve Seglem
Chairman of the Board



Fumitake Shishido
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 23 AS

Profit & Loss Account

	Note	2018	2017
<u>Operating Income</u>			
Freight income	3, 8	111 845 543	120 551 226
Other operating income		449 728	191 269
<i>Total Operating income</i>		<u>112 295 271</u>	<u>120 742 495</u>
<u>Operating Expenses</u>			
Crew-hire	13	25 491 110	20 686 148
Other operating expenses		13 871 189	12 655 009
Administration	12	4 994 482	4 063 164
<i>Total Operating Expenses</i>		<u>44 356 781</u>	<u>37 404 321</u>
Ordinary depreciation	6	24 375 858	24 285 921
<i>Total depreciation and write-downs</i>		<u>24 375 858</u>	<u>24 285 921</u>
<i>Operating Result</i>		<u>43 562 631</u>	<u>59 052 253</u>
<u>Financial Income and Expenses</u>			
Financial income	7	8 813 924	6 569 066
Foreign exchange gain/loss		-1 112 722	3 695 033
Financial expenses	7	-19 842 818	-22 517 567
<i>Net Financial Items</i>		<u>-12 141 617</u>	<u>-12 253 468</u>
<i>Result before taxes</i>		<u>31 421 014</u>	<u>46 798 785</u>
Taxes	14	6 833 632	11 098 871
<i>Result for the year</i>		<u>24 587 382</u>	<u>35 699 914</u>



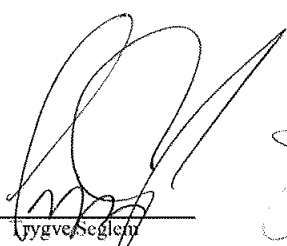
KNOT Shuttle Tankers 23 AS
Balance Sheet as of 31. December

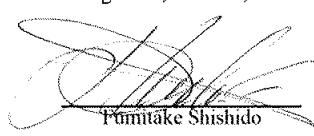
<u>Assets</u>	Note	2018	2017
<u>Fixed assets</u>			
Vessel	6, 8, 14	219 765 121	215 013 755
Loan to group companies		170 562 030	232 499 980
Investments in group companies	5	42 724	9 724
<i>Total Fixed Assets</i>		<u>390 369 876</u>	<u>447 523 459</u>
<u>Current Assets</u>			
Inventories	4	2 025 052	1 900 859
Receivables	9	6 273 152	15 355 236
Current receivables group		6 761 881	0
Bank deposits	2	24 192 431	31 446 508
<i>Total Current Assets</i>		<u>39 252 516</u>	<u>48 702 603</u>
<i>TOTAL ASSETS</i>		<u>429 622 392</u>	<u>496 226 062</u>




KNOT Shuttle Tankers 23 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	Note	2018	2017
<u>Equity</u>			
Share capital	10, 11	100 000	100 000
Share premium		14 334	14 334
<i>Total capital paid-in</i>		<u>114 334</u>	<u>114 334</u>
Other equity		14 359 669	1
<i>Total Shareholders' Equity</i>	10	<u>14 474 003</u>	<u>114 335</u>
<u>Long Term Liabilities</u>			
Deferred tax	14	27 127 917	23 349 317
Other long term liabilities	8	343 328 943	387 585 451
<i>Total Long Term Liabilities</i>		<u>370 456 860</u>	<u>410 934 768</u>
<u>Current Liabilities</u>			
Accounts payable	9	21 811 908	3 184 139
Accrued interest		0	1 597 997
Current liabilities group		681 359	6 043 290
Group contribution		13 315 746	73 567 363
Other current liabilities	9	8 882 515	784 170
<i>Total Current Liabilities</i>		<u>44 691 529</u>	<u>85 176 959</u>
<i>Total liabilities</i>		<u>415 148 389</u>	<u>496 111 727</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>429 622 392</u>	<u>496 226 062</u>


Jyggve Seglen
chairman of the board

Haugesund, March 7, 2019

Fumitake Shishido
member of the board


Karl Gerhard Bråstein Dahl
member of the board



KNOT SHUTTLE TANKERS 23 AS

CASHFLOW STATEMENT

	2018	2017
Total generated from operations 1)	58 682 896	77 200 230
Change in working capital	<u>21 962 196</u>	<u>4 812 381</u>
Net cashflow from operations	<u>80 645 092</u>	<u>82 012 611</u>
Invested in vessel	-29 127 224	0
Net change in loans to group companies	<u>61 937 950</u>	<u>-219 204 969</u>
Net cashflow from investments	<u>32 810 726</u>	<u>-219 204 969</u>
Group contribution	-73 567 363	0
Net drawn mortgage debt/financial lease	-47 142 532	215 894 328
Dividend	<u>0</u>	<u>-94 864 295</u>
Net cashflow from financing	<u>-120 709 895</u>	<u>121 030 033</u>
Net cashflow for the year	-7 254 077	-16 162 325
+ Cash balance per 01.01	<u>31 446 508</u>	<u>47 608 833</u>
= Cash Balance per 31.12.	<u>24 192 431</u>	<u>31 446 508</u>

1) Generated from operations:

Result for the year before tax	31 421 014	46 798 785
+ Ordinary depreciation	24 375 858	24 285 921
+ Amortized debt issuance cost	0	2 173 521
+ Currency loss (- gain) mortgage debt	<u>2 886 024</u>	<u>3 942 003</u>
= Total generated from operations	<u>58 682 896</u>	<u>77 200 230</u>



KNOT SHUTTLE TANKERS 23 AS

Notes to the Financial Statement 31.12.2018

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.

This principle is not used for current items in foreign currency, which are valued at the rate of exchange at the year-end.

Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly 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 and acquisition of second hand vessel, 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.

Tax

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

Income

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

Accounts Receivable

Accounts receivable are recorded at nominal value, net of provisions for doubtful debts. Any provision for doubtful debts is made based on evaluation of each receivable.



Transactions in Foreign Currency

The income received in USD is recorded at the rate of exchange on the day the transaction is carried out. 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.

Inventory

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

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 ship management services for the Company's vessel(s). 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

MT Grena Knutsen operates in CoA, short-term time charter and spot market through participation in Knutsen Shuttle Pool Tankers AS which at the end of 2018 operated six shuttle tankers.

MT Grena Knutsen is operated by KNOT Management AS on behalf of the company in accordance with separate management agreements.

4 Inventories

Inventories refer to lube oil and stores as per 31.12.



5 Shares in Group companies

	and voting share	Equity 31.12	Last years result	Book value
KNOT Shuttle Tankers 31 AS	11%	1 054 756	698 780	42 724

6 Fixed Assets and Dry-Docking

<u>Vessel</u>	2018	2017
Historical value 01.01.	272 097 935	272 097 935
Acc. Depreciation 01.01.	61 677 367	42 402 199
Book Value 01.01.	210 420 568	229 695 736
Ordinary annual depreciation	19 275 168	19 275 168
Book value 31.12.	191 145 400	210 420 568

The economic life of the vessels is estimated to 25 years, and the vessel is depreciated accordingly.
In 2017, the Vessel has been sold and leased back on a financial lease. See note 8 for more information.

<u>Dry-Docking</u>	2018	2017
Capitalised dry-docking	19 091 522	19 091 522
Acc. depreciation 01.01.	14 498 334	9 487 581
Capitalised dry-docking 01.01.	4 593 188	9 603 941
Additions	29 127 224	0
Ordinary annual depreciation	5 100 690	5 010 753
Capitalised 31.12.	28 619 722	4 593 188
Total book value vessel 31.12.	219 765 121	215 013 755

7 Financial Income and -Expenses

	2018	2017
Financial Income:		
Interest income from group companies	8 628 842	6 410 860
Interest income	185 081	158 206
Total financial income	8 813 924	6 569 066
Financial expenses:		
Interest expense to group companies	0	14 994
Interest expense	17 763 943	18 952 829
Guarantee cost group companies	1 891 989	1 873 687
Other financial expenses	186 886	1 676 057
Total financial expenses	19 842 818	22 517 567





8 Financial Instruments

	12/31/2018	USD	Historical rate	Rate as at 31.12	NOK
Financial obligation		45 066 223	8,4934	7,6183	343 328 943
Current portion		5 613 320	8,4934	7,6183	42 764 072

	12/31/2017	USD	Historical rate	Rate as at 31.12	NOK
Financial obligation		50 875 444	8,4934	7,6183	387 585 451
Current portion		5 352 058	8,4934	7,6183	40 773 694

The USDNOK exchange rate at the year-end was 8,6911 (8,2411 in 2017)

M/T Grena Knutsen has been sold and leased back on a financial lease and the vessel is formally transferred to the financial counterparty.

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). Financial lease 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 financial lease are presented as an increase/reduction of operating income.

Future income flows from anticipated fixed contracts in USD exceed the financial lease in USD. Therefore it is not recognized foreign exchange gains/losses on USD financial lease on the basis of the year-end exchange rate. Per 31.12.2018 the not recorded foreign exchange loss (i.e. off-balance) is NOK 48.3 million compared to a loss of NOK 31.7 million as per 31.12.2017.

Book value of mortgaged assets is NOK 220 million (NOK 215 million in 2017).

The estimated outstanding debt per 31.12.2023 is USD 17 million.



9 Balances with related parties

	<u>2018</u>	<u>2017</u>
<u>Receivables</u>		
Knutsen OAS Crewing AS	182	0
	<u>182</u>	<u>0</u>
<u>Accounts payable</u>		
Knutsen O.A.S. Shipping AS	368 138	1 321 620
	<u>368 138</u>	<u>1 321 620</u>
<u>Other current liabilities</u>		
Knutsen Shuttle Tankers 15 AS	22 614	0
	<u>22 614</u>	<u>0</u>

10 Equity

Specification of the equity per 31.12.

	<u>Share capital</u>	<u>Share premium</u>	<u>Other equity</u>	<u>Total equity</u>
Equity 01.01	100 000	14 334	1	114 335
Result for the year	0	0	24 587 382	24 587 382
Group contribution	0	0	-10 227 714	-10 227 714
Equity 31.12.	<u>100 000</u>	<u>14 334</u>	<u>14 359 669</u>	<u>14 474 003</u>

Share capital consist of 100 shares à NOK 1,000

Knutsen NYK Offshore Tankers AS owns all the shares in the company. Financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.

11 Shares Owned by Board Members and Affiliates

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

12 Remuneration

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

Auditors remuneration (excl. VAT):	<u>2018</u>	<u>2017</u>
Audit	38 130	63 652
Tax advice	0	0
	<u>38 130</u>	<u>63 652</u>



13 Employees

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

	<u>2018</u>	<u>2017</u>
Salary	18 050 657	18 201 592
Employer's tax	2 000 771	1 595 230
Other salary related benefits	5 439 682	889 325
Sum	<u>25 491 110</u>	<u>20 686 148</u>

14 Tax

Deferred tax/ -benefits are calculated based on the temporary differences existing at the year-end between financial and taxable values, and the taxable deficit carried forward.

Below a specification of the temporary differences and taxable deficit carried forward are given, as well as a calculation of the deferred tax at the year-end.

	<u>31.12.2018</u>	<u>Change</u>	<u>31.12.2017</u>
Temporary difference vessel	83 872 196	-26 873 471	56 998 726
Temporary difference debt	39 436 518	5 083 527	44 520 045
Base for deferred tax calculation	<u>123 308 714</u>	<u>-21 789 944</u>	<u>101 518 770</u>
Deferred tax/(benefit) based on 22 % (23 % in 2017)	<u>27 127 917</u>	<u>-3 778 600</u>	<u>23 349 317</u>

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

	<u>2018</u>	<u>2017</u>
Result for the year before tax	31 421 014	46 798 785
Non-deductible items	3 651 675	3 676 461
Change in temporary differences	-21 789 944	-43 783 981
Deficit carried forward	0	-2 976 897
Tax base for the year before group contribution	<u>13 282 746</u>	<u>3 714 370</u>
Group contribution	-13 282 746	-3 714 370
Tax base	<u>0</u>	<u>0</u>

Calculation of tax expenses

Tax payable, 23%/24% of the base	0	0
Tax effect group contribution 23%/24%	3 055 032	891 449
Change deferred tax/(tax benefit) based on 22%/23% tax rate	<u>3 778 600</u>	<u>10 207 422</u>
Tax calculated	<u>6 833 632</u>	<u>11 098 871</u>



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 23 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 23 AS which comprise the balance sheet as at 31 December 2018, 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 2018 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.



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.

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, 7 March 2019
ERNST & YOUNG AS

Magnus H. Birkeland
State Authorised Public Accountant (Norway)