



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 812 818 252
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 22 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, 30.04.2021



Resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Freight income	3	122 345 123	117 728 600
Voyage expenses		-1 571 684	-2 076 325
Sum inntekter		120 773 439	115 652 275
Kostnader			
Crew-hire	11	28 871 535	30 314 428
Ordinary depreciation	4	25 143 388	24 896 712
Other operating expenses		15 262 174	15 738 966
Administration	10	5 204 912	5 106 796
Sum kostnader		74 482 010	76 056 902
Driftsresultat		46 291 430	39 595 373
Finansinntekter og finanskostnader			
Financial income	5	955 159	1 307 269
Foreign exchange gain/loss		447 481	2 774 451
Sum finansinntekter		1 402 640	4 081 720
Financial expenses	5	7 934 122	9 053 310
Sum finanskostnader		7 934 122	9 053 310
Netto finans		-6 531 482	-4 971 590
Ordinært resultat før skattekostnad		39 759 948	34 623 783
Taxes	12		
Ordinært resultat etter skattekostnad		39 759 948	34 623 783
Årsresultat		39 759 948	34 623 783
Årsresultat etter minoritetsinteresser		39 759 948	34 623 783
Totalresultat		39 759 948	34 623 783



Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12		
Varige driftsmidler			
Vessel	4, 6	82 887 932	108 031 358
Sum varige driftsmidler		82 887 932	108 031 358
Finansielle anleggsmidler			
Lån til foretak i samme konsern	7	38 035 515	73 180 335
Sum finansielle anleggsmidler		38 035 515	73 180 335
Sum anleggsmidler		120 923 447	181 211 693
Omløpsmidler			
Varer			
Inventories	4		
Fordringer			
Other receivables		3 869 347	4 039 093
Konsernfordringer	7, 7	1 228 298	1 033 894
Sum fordringer		5 097 645	5 072 987
Bankinnskudd, kontanter og lignende			
Bank deposits	2	41 405 246	13 823 372
Sum bankinnskudd, kontanter og lignende		41 405 246	13 823 372
Sum omløpsmidler		46 502 890	18 896 358
SUM EIENDELER		167 426 338	200 108 051

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: NOK	Note	2016	2015
Innskutt egenkapital			
Share capital	8, 9	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Other equity		39 759 948	
Sum opptjent egenkapital		39 759 948	
Sum egenkapital	8	39 859 948	100 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6	109 469 045	146 113 861
Langsiktig konserngjeld	7		
Sum annen langsiktig gjeld		109 469 045	146 113 861
Sum langsiktig gjeld		109 469 045	146 113 861
Kortsiktig gjeld			
Leverandørgjeld	7	3 644 460	4 618 314
Tax payable	12		
Utbytte			34 623 783
Kortsiktig konserngjeld	7		
Accrued interest		757 432	845 356
Other current liabilities		13 695 452	13 806 737
Sum kortsiktig gjeld		18 097 345	53 894 190
Sum gjeld		127 566 390	200 008 051
SUM EGENKAPITAL OG GJELD		167 426 338	200 108 051



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 31.01.2014	Vår dato 11.02.2014
Telefon 22078139	Deres referanse Geir Tore Henriksen	Vår referanse 2014/84494

TS SHIPPING INVEST AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 31. januar 2014 der det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk på vegne av;

Knutsen LNG AS	org. nr. 913 018 664
Norspan LNG IX AS	org. nr. 912 745 414
Norspan LNG XI AS	org. nr. 913 018 087
Norspan LNG X AS	org. nr. 912 745 449
Umoe LNG AS	org. nr. 913 018 141
KNOT Shuttle Tankers 23 AS	org. nr. 913 154 576
KNOT Shuttle Tankers 22 AS	org. nr. 812 818 252

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper 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.

Bakgrunn

De overnevnte selskapene er eid 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. som er hjemmehørende i Nederland. TS Shipping Invest AS med en rekke datterselskaper har i tidligere vedtak fått dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk. Selskapene driver virksomhet innen shippingbransjen som er en global bransje hvor engelsk primært benyttes ved kommunikasjon med omverden. Selskapene benytter også engelsk som arbeidsspråk internt. Brukerne av regnskapene er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften. Styrene i selskapene har medlemmer som ikke er norskspråklige. De norske versjonene av årsregnskapet utarbeides kun for å tilfredsstille regnskapsloven.

Skattedirektoratets vurdering

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

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



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 kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapene er 50 % eid av et selskap som er innvilget dispensasjon og 50 % av et nederlandsk selskap. Selskapene opererer i en global bransje hvor engelsk primært benyttes. Arbeidsspråk er også engelsk. Videre er det vektlagt at styrene i selskapene har medlemmer som ikke er norskspråklige.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland



KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 22 AS

Annual Report 2016



M/T “ Dan Eagle ”



Knutsen
Group





KNOT SHUTTLE TANKERS 22 AS

REPORT OF THE BOARD OF DIRECTORS 2016

KNOT Shuttle Tankers 22 AS owns one 46,186 DWT MR size DP shuttle tanker, M/T Dan Eage), delivered from Hyundai Heavy Industries in 1999 and later converted to shuttle tanker.

The company operates out of Haugesund, Norway and has no employees and working environment. The daily operations of the company are managed by KNOT Management AS in Haugesund in accordance with separate agreement and the daily operations of the vessel are managed by KNOT Management Denmark A/S in Copenhagen, Denmark in accordance with separate agreement.

The company's activity

The vessel is chartered out to Petrobras in Brazil a time-charter party until the vessel is due for the 20 year special survey.

Result for the year

The operating result for KNOT Shuttle Tankers 22 AS was NOK 46 291 430 in 2016 compared to NOK 39 595 373 in 2015. After net financial loss of NOK 6 531 482 in 2016, against a loss of NOK 4 971 590 in 2015, the results of the year were NOK 39 759 948 in 2016 compared to NOK 34 623 783 in 2015.

The Board of Directors suggests the result for the year transferred to other equity.

Total cash flow from operating activities in the company was NOK 77 885 210, NOK 69 555 117 in 2015. The liquidity position was NOK 41 405 246 as per 31.12.2016 compared to NOK 13 823 372 as per 31.12.2015. The company's ability to finance its investments is good. The company have financed the vessel with a senior and junior long-term mortgage loan. The outstanding mortgage loan is at the end of 2016 USD 18 166 667.

The company's short-term debt per 31.12.2016 was 14 % of total debt (27 % in 2015).

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 also exposed to changes in the interest rate level, as its long-term debt carrying floating interest rate.

Total capital was by the end of the year NOK 167 426 338, NOK 200 108 051 at the end of 2015. The equity share as of 31.12.2016 was 24 % up from 0.050 % 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 Denmark A/S are concerned with an operational excellence. Knutsen NYK Offshore Tankers Group's fleet consists of ships, which 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 on-board the ship as satisfactory. M/T Dan Eigel 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.

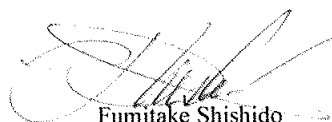
Future prospects

M/T Dan Eigel is operated on a long-term charter with Petrobras in Brazil. The charterer and trading area is well known for the manager and the Board of Directors. The company will take the vessel to yard in the first half of 2017 for her 17.5 year intermediate survey in Europe. The Board of Directors expect that 2017 will be a profitable year for the company.

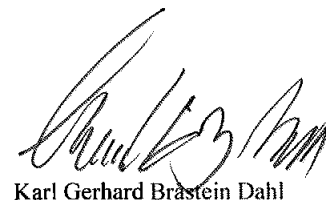
Haugesund, February 28, 2017



Trygve Seglem
Chairman of the Board



Fumitake Shishido
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 22 AS

Profit & Loss Account

	<u>Note</u>	2016	2015
<u>Operating Income</u>			
Freight income	3	122 345 123	117 728 600
Voyage expenses		-1 571 684	-2 076 325
<i>Total Operating income</i>		<u>120 773 439</u>	<u>115 652 275</u>
<u>Operating Expenses</u>			
Crew-hire	11	28 871 535	30 314 428
Other operating expenses		15 262 174	15 738 966
Administration	10	5 204 912	5 106 796
<i>Total Operating Expenses</i>		<u>49 338 622</u>	<u>51 160 190</u>
Ordinary depreciation	4	25 143 388	24 896 712
<i>Operating Result</i>		<u>46 291 430</u>	<u>39 595 373</u>
<u>Financial Income and Expenses</u>			
Financial income	5	955 159	1 307 269
Foreign exchange gain/loss		447 481	2 774 451
Financial expenses	5	-7 934 122	-9 053 310
<i>Net Financial Items</i>		<u>-6 531 482</u>	<u>-4 971 590</u>
<i>Result before taxes</i>		<u>39 759 948</u>	<u>34 623 783</u>
Taxes	12	0	0
<i>Result for the year</i>		<u>39 759 948</u>	<u>34 623 783</u>



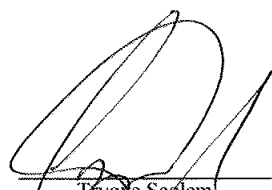
KNOT Shuttle Tankers 22 AS
Balance Sheet as of 31. December

<u>Assets</u>	<u>Note</u>	2016	2015
Fixed assets			
Vessel	4, 6	82 887 932	108 031 358
Loans to group companies	7	38 035 515	73 180 335
<i>Total Fixed Assets</i>		<u>120 923 447</u>	<u>181 211 693</u>
Current Assets			
Other receivables		3 869 347	4 039 093
Intercompany receivables	7	1 228 298	1 033 894
Bank deposits	2	41 405 246	13 823 372
<i>Total Current Assets</i>		<u>46 502 890</u>	<u>18 896 358</u>
<i>TOTAL ASSETS</i>		<u>167 426 338</u>	<u>200 108 051</u>

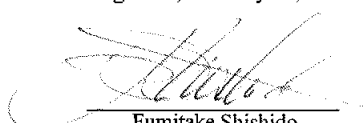


KNOT Shuttle Tankers 22 AS
Balance Sheet as of 31. December

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	2016	2015
<u>Equity</u>			
Share capital	8, 9	100 000	100 000
<i>Total capital paid-in</i>		<u>100 000</u>	<u>100 000</u>
Other equity		39 759 948	0
<i>Total Shareholders' Equity</i>	8	<u>39 859 948</u>	<u>100 000</u>
<u>Long Term Debt</u>			
Mortgage debt	6	109 469 045	146 113 861
<i>Total Long Term Debt</i>		<u>109 469 045</u>	<u>146 113 861</u>
<u>Current Liabilities</u>			
Trade creditors	7	3 644 460	4 618 314
Accrued interest		757 432	845 356
Dividends		0	34 623 783
Other current liabilities		13 695 452	13 806 737
<i>Total Current Liabilities</i>		<u>18 097 345</u>	<u>53 894 190</u>
<i>Total liabilities</i>		<u>127 566 390</u>	<u>200 008 051</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>167 426 338</u>	<u>200 108 051</u>


Trygve Seglem
chairman of the board

Haugesund, February 28, 2017


Fumitake Shishido
member of the board


Karl Gerhard Bråstein Dahl
member of the board



KNOT SHUTTLE TANKERS 22 AS

CASHFLOW STATEMENT

	2016	2015
Total generated from operations 1)	79 082 930	71 091 962
Change in working capital	<u>-1 197 720</u>	<u>-1 536 845</u>
Net cashflow from operations	<u>77 885 210</u>	<u>69 555 117</u>
Invested in vessel	39	-170 127
Net lending to group companies	<u>35 144 820</u>	<u>-5 513 287</u>
Net cashflow from investments	<u>35 144 859</u>	<u>-5 683 414</u>
Dividends	-34 623 783	-7 440 766
Capitalized issuance costs	0	-93 224
Repayment mortgage debt	<u>-50 824 410</u>	<u>-48 215 587</u>
Net cashflow from financing	<u>-85 448 193</u>	<u>-55 749 577</u>
Net cashflow for the year	27 581 875	8 122 126
+ Cash balance per 01.01.	<u>13 823 372</u>	<u>5 701 245</u>
= Cash Balance per 31.12.	<u>41 405 246</u>	<u>13 823 372</u>

1) Generated from operations:

Result for the year before tax	39 759 948	34 623 783
+ Ordinary depreciation	25 143 388	24 896 712
+ Amortized debt issuance cost	727 584	728 280
+ Currency loss (- gain) mortgage debt	<u>13 452 010</u>	<u>10 843 187</u>
= Total generated from operations	<u>79 082 930</u>	<u>71 091 962</u>



KNOT SHUTTLE TANKERS 22 AS

Notes to the Financial Statement 31.12.2016

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 residual value at the date 20 years after delivery of the vessel from newbuilding yard.

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.

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.

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.

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.

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. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management Denmark A/S 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 has secured employment of the vessel, M/T Dan Egel, with a fixed time charter contract until the vessel is due for 20 year special survey to Petrobras.

KNOT Management Denmark A/S operates as a manager on behalf of the vessel in accordance with management agreements.

4 Fixed Assets and Dry-Docking

<u>Vessel</u>	<u>2016</u>	<u>2015</u>
Historical value	96 199 070	96 028 943
Acc. depreciation 01.01.	23 589 000	9 060 000
Book Value 01.01.	72 610 070	86 968 943
Additions	-39	170 127
Ordinary annual depreciation	14 776 012	14 529 000
Book value 31.12.	57 834 019	72 610 070

The economic life of the vessel is estimated to 20 years, and the vessel is depreciated accordingly.

<u>Dry-Docking</u>	<u>2016</u>	<u>2015</u>
Capitalised dry-docking	50 972 854	50 972 854
Acc. depreciation 01.01.	15 551 566	5 183 854
Capitalised dry-docking 01.01.	35 421 288	45 789 000
Additions	0	0
Ordinary annual depreciation	10 367 376	10 367 712
Capitalised 31.12.	25 053 912	35 421 288
Total book value vessel 31.12.	82 887 931	108 031 358

5 Financial Income and -Expenses

	<u>2016</u>	<u>2015</u>
Financial Income:		
Interest income from group companies	508 738	896 257
Interest income	26 012	3 501
Guarantee income related parties	420 410	407 511
Total financial income	955 159	1 307 269
Financial expenses:		
Interest expense	6 972 185	7 654 053
Interest expenses group	0	213 307
Guarantee expenses related parties	891 968	1 108 178
Other financial expenses	69 970	77 772
Total financial expenses	7 934 122	9 053 310



6 Mortgage Debt and Financial Instruments

<u>31.12.2016</u>	<u>USD</u>	<u>Historical rate</u>	<u>Rate as at 31.12</u>	<u>NOK</u>
USD-loan	18 166 667	6,1204	6,1204	111 186 501
Deferred debt issuance costs				-1 717 456
				<u>109 469 045</u>
Current portion	6 066 667	6,1603	6,1603	37 372 402
Deferred debt issuance costs				-724 416
				<u>36 647 986</u>

<u>31.12.2015</u>	<u>USD</u>	<u>Historical rate</u>	<u>Rate as at 31.12</u>	<u>NOK</u>
USD-loan	24 233 333	6,1304	6,1304	148 558 900
Deferred debt issuance costs				-2 445 039
				<u>146 113 861</u>
Current portion	6 066 667	6,1603	6,1603	37 372 402
Deferred debt issuance costs				-725 554
				<u>36 646 848</u>

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

Security for the loan is made through a first priority mortgage in the vessel, assignment of earnings, insurance and requisition compensation, assignment of the insurances, pledged bank deposit, factoring agreement, pledged shares in the company.

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 31.12.2016 the not recorded foreign exchange loss (i.e. off-balance) is NOK 46 million compared to a loss of NOK 65 million as per 31.12.2015.

Book value of mortgaged assets is NOK 167 million (NOK 200 million in 2015).

The estimated outstanding debt per 31.12.2021 is USD 0 million.

7 Balances with group and associated companies

	<u>2016</u>	<u>2015</u>
<u>Long-term loan to group companies</u>		
Knutsen NYK Offshore Tankers AS	<u>38 035 515</u>	<u>73 180 335</u>
<u>Short-term receivables from group company</u>		
KNOT Management Denmark A/S	<u>1 228 298</u>	<u>1 033 894</u>
<u>Trade creditors</u>		
KNOT Management Denmark A/S	<u>3 620 807</u>	<u>0</u>



8 Equity

Specification of the equity per 31.12.

	Share capital	Other equity	Total equity
Equity 01.01	100 000	0	100 000
Result for the year	0	39 759 948	39 759 948
Equity 31.12.	100 000	39 759 948	39 859 948

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.

9 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.

10 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):	2016	2015
Audit	15 836	27 675
Tax advice	0	0
Other services besides audit	0	0
	15 836	27 675

11 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from KNOT Management Denmark A/S in accordance with a separate management agreement.

	2016	2015
Salary	0	2 385 438
Employer's tax	0	40 272
Hired personell	28 871 535	25 825 494
Other salary related benefits	0	2 063 223
Sum	28 871 535	30 314 428



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 within the tonnage tax scheme will have to pay a tonnage tax based on the size of the company's operated vessels, which in 2016 amounted to NOK 59 786 (NOK 61 731 in 2015). Tonnage tax is classified as an operating expense. Entry into the tonnage tax regime resulted in no entrance tax.

	2016	Change	2015
Loss carried forward	-16 961 505	-9 227 803	-7 733 702
Basis for deferred tax (benefit)	-16 961 505	-9 227 803	-7 733 702
Deferred tax (benefit)	-4 070 761	-2 137 336	-1 933 426
Deferred tax (benefit) booked	0	0	0

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.

Taxable result tonnage tax scheme:

	2016	2015
Net financial items	-6 531 482	-15 814 777
Non-deductable currency loss	-6 696 682	4 734 292
Interest deduction	4 000 361	4 954 606
Taxable income before loss carried forward	-9 227 803	-6 125 880
Change in loss carried forward	9 227 803	6 125 880
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 22 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 22 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 KNOT Shuttle Tankers 22 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
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Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Independent auditor's report - KNOT Shuttle Tankers 22 AS

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