



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 998 943 035  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: KNOT SHUTTLE TANKERS 18 AS  
Forretningsadresse: Smedasundet 40  
5529 HAUGESUND

### Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

### 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: 10.03.2022

### Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert  
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

*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, 28.03.2023



### Resultatregnskap

Beløp i: NOK	Note	2021	2020
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Operating income	2	104 528 653	146 108 145
Other income	2	2 373	20 989
Contract amortization	3		
<b>Sum inntekter</b>		<b>104 531 026</b>	<b>146 129 134</b>
<b>Kostnader</b>			
Crew-hire	13	24 179 076	24 749 486
Ordinary depreciation	3	44 818 982	49 350 998
Ordinary depreciation - dry docking	3		
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	58 656 195	
Other operating expenses		19 095 821	22 727 010
Administration	6	6 882 535	6 597 833
<b>Sum kostnader</b>		<b>153 632 609</b>	<b>103 425 327</b>
<b>Driftsresultat</b>		<b>-49 101 584</b>	<b>42 703 807</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	4	303 524	71 438
Foreign exchange gain/loss		3 903 482	-2 144 084
<b>Sum finansinntekter</b>		<b>4 207 006</b>	<b>-2 072 646</b>
Financial expenses	4	7 457 686	12 569 640
<b>Sum finanskostnader</b>		<b>7 457 686</b>	<b>12 569 640</b>
<b>Netto finans</b>		<b>-3 250 680</b>	<b>-14 642 286</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-52 352 264</b>	<b>28 061 521</b>
Taxes	11		
<b>Ordinært resultat etter skattekostnad</b>		<b>-52 352 264</b>	<b>28 061 521</b>
<b>Årsresultat</b>		<b>-52 352 264</b>	<b>28 061 521</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-52 352 264</b>	<b>28 061 521</b>



## Resultatregnskap

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Totalresultat		-52 352 264	28 061 521



## Balanse

Beløp i: NOK	Note	2021	2020
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Contracts	3		
<b>Varige driftsmidler</b>			
Vessel	3	392 704 572	495 736 005
Dry-docking	3		
<b>Sum varige driftsmidler</b>		<b>392 704 572</b>	<b>495 736 005</b>
<b>Sum anleggsmidler</b>		<b>392 704 572</b>	<b>495 736 005</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Inventories	12	1 300 253	5 575 850
<b>Sum varer</b>		<b>1 300 253</b>	<b>5 575 850</b>
<b>Fordringer</b>			
Receivables	7	10 247 514	6 077 879
Konsernfordringer		2 076	3 666 129
<b>Sum fordringer</b>		<b>10 249 590</b>	<b>9 744 008</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bank deposits		40 484 522	7 099 647
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>40 484 522</b>	<b>7 099 647</b>
<b>Sum omløpsmidler</b>		<b>52 034 364</b>	<b>22 419 505</b>
<b>SUM EIENDELER</b>		<b>444 738 937</b>	<b>518 155 510</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital	5, 9	132 000	132 000



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Overkurs		116 644 752	116 644 752
Annen innskutt egenkapital		180 958 682	186 517 579
<b>Sum innskutt egenkapital</b>		<b>297 735 434</b>	<b>303 294 331</b>
<b>Opptjent egenkapital</b>			
Other equity			29 675 567
<b>Sum opptjent egenkapital</b>			<b>29 675 567</b>
<b>Sum egenkapital</b>	5	<b>297 735 434</b>	<b>332 969 898</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	10	136 720 680	175 550 402
<b>Sum annen langsiktig gjeld</b>		<b>136 720 680</b>	<b>175 550 402</b>
<b>Sum langsiktig gjeld</b>		<b>136 720 680</b>	<b>175 550 402</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	7	2 613 104	2 655 561
Kortsiktig konserngjeld		22 870	385 786
Other financial instruments	10		
Other current liabilities		7 646 850	6 593 863
<b>Sum kortsiktig gjeld</b>		<b>10 282 823</b>	<b>9 635 210</b>
<b>Sum gjeld</b>		<b>147 003 503</b>	<b>185 185 612</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>444 738 937</b>	<b>518 155 510</b>



## Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 25.01.2013	Vår dato 30.01.2013
Telefon 22078139	Deres referanse	Vår referanse 2013/72130

KNUTSEN OAS SHIPPING AS  
Postboks 2017  
5504 HAUGESUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 25. januar 2013 og telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk på vegne av;

<b>Knutsen EOR Solutions AS</b>	<b>org. nr. 999 332 676</b>
<b>Knutsen Shuttle Tankers 19 AS</b>	<b>org. nr. 999 274 323</b>
<b>Knutsen Shuttle Tankers Invest AS</b>	<b>org. nr. 999 250 793</b>
<b>KNOT Shuttle Tankers 17 AS</b>	<b>org. nr. 998 942 969</b>
<b>KNOT Shuttle Tankers 18 AS</b>	<b>org. nr. 998 943 035</b>
<b>KNOT Shuttle Tankers AS</b>	<b>org. nr. 998 942 829</b>

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

### Bakgrunn

Knutsen EOR Solutions AS er eid 100 % av TS Shipping Invest AS. De øvrige 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 fikk i vedtak (2010/867030) av 2. juni 2010 dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk. Det er også gitt tillatelse til datter selskaper og selskaper som er eid 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. 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.

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	Besøksadresse: Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org.nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
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### 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 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 tilsvarende selskaper i konsernet er innvilget dispensasjon. Eierkretsen er begrenset. 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 Shuttle Tankers 18 AS

## Annual Report 2021



M/T "Windsor Knutsen"

**KNOT**  
Offshore Partners LP



## **KNOT SHUTTLE TANKERS 18 AS**

### **REPORT OF THE BOARD OF DIRECTORS 2021**

KNOT Shuttle Tankers 18 AS owns and operates M/T Windsor Knutsen a 160 241-dwt shuttle tanker delivered from Daewoo shipyard at Busan South Korea in 2007 and converted to shuttle tanker at Remontowa, Poland in 2011.

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

#### **The company's activities**

The vessel operates on a 12-month time-charter agreement with six optional months in charters, PetroChina International (America), Inc., option. The time-charter contract started on 15 September and has an age limitation. M/T Windsor Knutsen will operate on the charterparty until due for 15-year class in May 2022 and a group vessel will take over the time-charterparty thereafter.

The Company has finalised negotiations with Equinor Shipping Inc. for a 12-month fixed time charter contract with charterers option to extend the fixed period to 24-months and two 12-month options to commence in 4<sup>th</sup> quarter 2024.

#### **Result for the year**

The operating result for KNOT Shuttle Tankers 18 AS was minus NOK 49 101 584 in 2021 compared to NOK 42 703 807 in 2020. In December 2020, the Windsor Knutsen reported a crack in its main engine block and was placed off-hire. The company's hull and machinery insurance covered NOK 36 096 222 of the cost of repairs booked as cost reductions in the accounts and loss of hire insurance provided income of NOK 74 682 436 booked as operating income. The incident and the repair are not expected to result in any future loss of hire. The total off hire period caused by the incident resulting in 180 days. The company took an impairment of NOK 58 656 195 on the vessel in 2021. After net financial loss of NOK 3 250 680 in 2021, against a loss of NOK 14 642 286 in 2020, the results of the year were minus NOK 52 352 264 in 2021 compared to NOK 28 061 521 in 2020.

The Board of Directors propose to transfer the result for the year to other equity.

Total cash flow from operational activities was NOK 73 606 115 in 2021, compared to NOK 89 667 081 in 2020. The liquidity position was NOK 40 484 522 as per 31.12.2021 compared to NOK 7 099 647 as per 31.12.2020. The company's ability to finance its investments is good. The outstanding mortgage loan is at the end of 2021 USD 22 507 920, USD 28 991 308 at the end of 2020.



The company's short-term debt was 7.0 % of total debt as of 31.12.2021, compared to 5.2 % as of 31.12.2020.

Total capital was by the end of the year NOK 444 738 937, compared to NOK 518 155 510 the year before. The equity-share as of 31.12.2021 was 67 %, compared to 64 % per 31.12.2020.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since most 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 at the end of 2021 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. The company has no interest swap agreements.

The financial accounts are made on the assumption of a going concern. The Board of Directors confirms the conditions for continued operation. The Board of the Directors is of the opinion that the financial statements give a true and fair reflection of the company's assets and liabilities as well as financial strength and profitability.

## **Environment, safety, and quality control**

Shipping is being subjected to ever-stricter environment and safety requirements, and the company, the group and KNOT Management AS, as manager, have joint objectives concerning high quality of the operation of the vessels.

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. All the vessels are 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. There have not been taken out any board of directors liability insurance.

## **Prospects**

Based on that the performance of M/T Windsor Knutsen on the current charterparty, the planned 15 year class and ballast water treatment system installation in 2<sup>nd</sup> quarter 2022 and the recent increased demand for shuttle tankers in the short term window in Brazil, the Board of Directors expect the outlook for securing a fixed time charter



contract for the M/T Windsor Knutsen for operation in Brazil commencing after the class, upgrading and testing in the middle of 2022. The board has every reason to believe that the 2022 will be a satisfactory year for the company.

Haugesund, March 10, 2022



Trygve Seglem  
*Chairman of the Board*



Karl Gerhard Bråstein Dahl  
*Member of the Board*



Takashi Donryo  
*Member of the Board*



## KNOT Shuttle Tankers 18 AS

### Profit & Loss Account

	Note	2021	2020
<b><u>Operating Income</u></b>			
Operating income	2	104 528 653	146 108 145
Other income	2	2 373	20 989
<i>Total Operating income</i>		<u>104 531 026</u>	<u>146 129 134</u>
<b><u>Operating Expenses</u></b>			
Crew-hire	13	24 179 076	24 749 486
Other operating expenses		19 095 821	22 727 010
Administration	6	6 882 535	6 597 833
<i>Total Operating Expenses</i>		<u>50 157 432</u>	<u>54 074 329</u>
Ordinary depreciation	3	44 818 982	49 350 998
Write - downs	3	58 656 195	0
<i>Operating Result</i>		<u>-49 101 584</u>	<u>42 703 807</u>
<b><u>Financial Income and Expenses</u></b>			
Financial income	4	303 524	71 438
Foreign exchange gain/loss		3 903 482	-2 144 084
Financial expenses	4	-7 457 686	-12 569 640
<i>Net Financial Items</i>		<u>-3 250 680</u>	<u>-14 642 286</u>
<i>Result before taxes</i>		<u>-52 352 264</u>	<u>28 061 521</u>
Taxes	11	0	0
<i>Result for the year</i>		<u>-52 352 264</u>	<u>28 061 521</u>



**KNOT Shuttle Tankers 18 AS**  
**Balance Sheet as of 31. December**

<u>Assets</u>	Note	2021	2020
<b><u>Non Current Assets</u></b>			
Vessel	3	392 704 572	495 736 005
<i>Total non Current Assets</i>		<u>392 704 572</u>	<u>495 736 005</u>
<b><u>Current Assets</u></b>			
Inventories	12	1 300 253	5 575 850
Receivables	7	10 247 514	6 077 879
Current receivables group		2 076	3 666 129
Bank deposits		40 484 522	7 099 647
<i>Total Current Assets</i>		<u>52 034 364</u>	<u>22 419 505</u>
<i>TOTAL ASSETS</i>		<u>444 738 937</u>	<u>518 155 510</u>

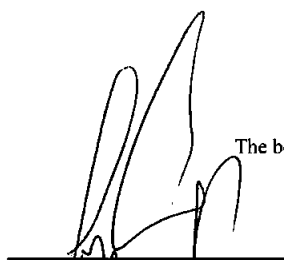



**KNOT Shuttle Tankers 18 AS**  
**Balance Sheet as of 31. December**

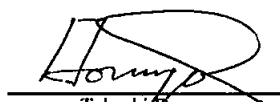
<b><u>Shareholders Equity and Liabilities</u></b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b><u>Equity</u></b>			
Share capital	5, 9	132 000	132 000
Share premium		116 644 752	116 644 752
Capital paid-in		180 958 682	186 517 579
<i>Total capital paid-in</i>		<u>297 735 434</u>	<u>303 294 331</u>
Other equity		0	29 675 567
<i>Total Shareholders' Equity</i>	5	<u>297 735 434</u>	<u>332 969 898</u>
<b><u>Long Term Debt</u></b>			
Liabilities to financial institutions	10	136 720 680	175 550 402
<i>Total Long Term Debt</i>		<u>136 720 680</u>	<u>175 550 402</u>
<b><u>Current Liabilities</u></b>			
Accounts payable	7	2 613 104	2 655 561
Current liabilities group		22 870	385 786
Other current liabilities		7 646 850	6 593 863
<i>Total Current Liabilities</i>		<u>10 282 823</u>	<u>9 635 210</u>
<i>Total liabilities</i>		<u>147 003 503</u>	<u>185 185 612</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>444 738 937</u>	<u>518 155 510</u>

Haugesund, March 10, 2022

The board of KNOT Shuttle Tankers 18 AS

  
Trygve Seglem  
chairman of the board

  
Karl Gerhard Bråstein Dahl  
member of the board

  
Takashi Domyo  
member of the board



**KNOT SHUTTLE TANKERS 18 AS**

**CASH FLOW STATEMENT**

	<b>2021</b>	<b>2020</b>
<u>Cashflow from operations</u>		
Total generated from operations 1)	69 188 486	101 134 032
Change in working capital	<u>4 417 629</u>	<u>-11 466 951</u>
Net cashflow from operations	<u>73 606 115</u>	<u>89 667 081</u>
<u>Cashflow from investments</u>		
Additions/disposals vessel	<u>-443 744</u>	<u>-731 683</u>
Net cashflow from investments	<u>-443 744</u>	<u>-731 683</u>
<u>Cashflow from financing</u>		
Net paid-out dividend/group contribution	17 117 800	-35 069 725
Paid installments on mortgage debt	<u>-56 895 296</u>	<u>-62 372 624</u>
Net cashflow from financing	<u>-39 777 496</u>	<u>-97 442 349</u>
Net change in cashflow for the period	33 384 875	-8 506 951
+ Cash balance per 01.01.	<u>7 099 647</u>	<u>15 606 598</u>
<b>= Cash Balance per 31.12</b>	<b><u>40 484 522</u></b>	<b><u>7 099 647</u></b>

1) Generated from operations:

The result for the period before taxes	-52 352 264	28 061 521
+ Ordinary depreciation	44 818 982	49 350 998
+Write-Down	58 656 195	0
+Amortization deferred debt issuance cost	833 700	1 012 312
+Realized currency gain mortgage debt	<u>17 231 873</u>	<u>22 709 201</u>
= Total generated from operations	<u>69 188 486</u>	<u>101 134 032</u>



## KNOT SHUTTLE TANKERS 18 AS

### Notes to the Financial Statement 31.12.2021

#### 1 Accounting Principles

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

##### Income

The income from charter party is in USD, and is recorded in profit and loss on a straight line basis over the lease term, net of hedging impact.

##### Inventories

Inventories are valued according to the net realisable value principle.

##### Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated net sales price at the end of estimated economic life. Normal economic life of shuttle tankers is estimated to 23 years from delivery as newbuilding. We use extended life or reduced life if there are commercial or technical indications that the 23 year profile for that specific entity is not correct, i.e. fixed charter contracts above 23 year age, commercial restrictions or technical conditions or -requirements. Equipment or part of the vessels with a material cost or specific use that have another estimated life is evaluated separately.

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 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.

##### Interest-bearing loan and borrowings

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

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

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

##### Tax

The company have elected to be taxed based on the Norwegian tonnage tax regime. 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.



## **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 assets.

## **Related party transactions**

The Company has undertaken several agreements and transactions with related parties in the Knutsen NYK Offshore Tankers Group and KNOT Offshore Partners 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.

## **Financial Instruments**

The treatment of foreign exchange and interest rate instruments in the accounts 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.

The company will from time to time step into/take over interest rate contracts from other group or related companies. The transfer of interest rate swaps between companies will be done with the financial counterpart's participation and will be sold/transferred to the new party at market value. The seller will take the value as a financial gain or loss into the profit and loss statement and the purchasing company will capitalize the value and amortize the value linearly to zero over the contract period.

## **2 Contracts**

The vessel operates on a 12-month time-charter agreement with six optional years in charters, PetroChina International (America), Inc., option. The time-charter contract started on 15 September and has an age limitation. M/T Windsor Knutsen will operate on the charterparty until due for 15-year class in May 2022 and a group vessel will take over the time-charterparty thereafter.

The Company has finalised negotiations with Equinor Shipping Inc. for a 12-month fixed time charter contract with charterers option to extend the fixed period to 24-months and two 12-month options to commence in 4th quarter 2024.

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

In December 2020, the Windsor Knutsen reported a crack in its main engine block and was placed off-hire. The company's hull and machinery insurance covered NOK 36 096 222 of the cost of repairs booked as cost reductions in the accounts and loss of hire insurance provided income of NOK 74 682 436 booked as operating income. The incident and the repair are not expected to result in any future loss of hire.

## **3 Non Current Assets**

### **Vessel**

	<b>2021</b>	<b>2020</b>
Historical value 1.1	819 266 837	819 266 837
Acc. Depreciation 1.1	332 733 600	290 117 550
Book value 1.1	486 533 237	529 149 287
Additions/disposals	443 744	0
Write-Down	58 656 195	0
Ordinary annual depreciation	37 916 906	42 616 050
Book value 31.12.	390 403 881	486 533 237



The economic life of the vessels is estimated to 23 years, and is depreciated accordingly.  
The present value of the future cash flow is the basis for the Write-Down of M/T Windsor Knutsen.

<b>Dry-docking</b>	<b>2021</b>	<b>2020</b>
Capitalised dry-docking 1.1	35 224 828	34 493 145
Acc. Depreciation dry-docking 1.1	26 022 060	19 287 112
Capitalised dry-docking 1.1	9 202 768	15 206 033
Additions/disposals	0	731 683
Ordinary annual depreciation	6 902 076	6 734 948
Book value 31.12.	2 300 692	9 202 768
<b>Total vessel</b>	<b>392 704 572</b>	<b>495 736 005</b>

The company changed in third quarter 2021 the useful life estimate for M/T Windsor Knutsen from 25 years to 23 years due to prevailing longer-term market trends. The company updated at the same time the estimated net sales price at the end of estimated life from NOK 0 at 25 years to estimated net sales price at end of the new estimated end of life.

#### 4 **Financial Income and -Expenses**

	<b>2021</b>	<b>2020</b>
<b>Financial Income:</b>		
Dividend	303 514	0
Other interest income	10	71 438
Total financial income	303 524	71 438
<b>Financial expenses:</b>		
Interest expenses	6 221 445	10 918 031
Guarantee cost related parties	1 090 644	1 498 633
Other financial expenses	145 597	152 976
Total financial expenses	7 457 686	12 569 640

#### 5 **Equity**

Specification of the equity per 31.12.

	Share capital	Share premium	Capital Paid-in	Other equity	Total equity
Equity 01.01	132 000	116 644 752	186 517 579	29 675 567	332 969 898
Group contribution, net	0	0	17 117 800	0	17 117 800
Result for the year	0	0	-22 676 697	-29 675 567	-52 352 264
Equity 31.12.	132 000	116 644 752	180 958 682	0	297 735 434

Share capital consists of 2 400 shares NOK 55 each, all the shares is owned by KNOT Shuttle Tankers AS.

KNOT Shuttle Tankers 18 AS is controlled 100% by KNOT Offshore Partners LP. Accounting for the Group can be obtained from the website, <http://knotoffshorepartners.com/>.

#### 6 **Remuneration**

No remuneration is paid to the Board of Directors during the year.

The company have not given any loan or guarantees to any leading person or board member during the year.

Auditor's fee (excl. VAT):	<b>2021</b>	<b>2020</b>
Auditing	18 819	37 638
Other consultancy	0	0
	18 819	37 638

#### 7 **Balances with related parties**

	<b>2021</b>	<b>2020</b>
<b>Receivables</b>		
Knutsen OAS Shipping AS	209 618	0
KNOT Management AS	2 066 898	438 127
	2 276 516	438 127

Accounts payable related parties



Knutsen OAS Crewing AS	83 635	82 639
Knutsen OAS Shipping AS	1 355 644	1 577 476
Knutsen OAS Management AS	5 640	0
KNOT Shuttle Tankers 31 AS	82 550	0
KNOT Management AS	157 975	138 338
	<u>1 685 444</u>	<u>1 798 454</u>

## 8 Salary and social costs

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.

## 9 Shares Owned by Board Members and Affiliates

Trygve Seglem controls TS Shipping Invest AS, which owns 50 % of the company Knutsen NYK Offshore Tankers AS, which controls 30,47% of KNOT Offshore Partners LP.

## 10 Mortgage Debt and Financial Instruments

### 31-12-21

	USD	Historical rate	Rate per 31.12	NOK
USD-loan	22 507 920	8,1556	6,1177	137 696 702
Deferred debt issuance costs				<u>-976 022</u>
				<u>136 720 680</u>
Current portion:				
USD-loan	6 483 388			39 663 423
Deferred debt issuance costs				<u>-648 362</u>
				<u>39 015 061</u>

### 31-12-20

	USD	Historical rate	Rate per 31.12	NOK
USD-loan	28 991 308	8,1556	6,1177	177 360 125
Deferred debt issuance costs				<u>-1 809 723</u>
				<u>175 550 402</u>
Current portion:				
USD-loan	6 483 388			39 663 423
Deferred debt issuance costs				<u>-833 698</u>
				<u>38 829 725</u>

The USD/NOK exchange rate at the year-end was 8,8363 (8,5375 per 31.12.2020).

Estimated outstanding debt per year end 2026 is USD 0 million.

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 31.12.2021 the not recorded foreign exchange loss (i.e. off-balance) is NOK 61 million compared to a loss of NOK 70 million as per 31.12.2020.

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

Book value of mortgaged assets is NOK 445 million per 31.12.2021 (NOK 518 million at 31.12.20).

The company has aimed to reduce the market risk by entering financial contracts. The company has entered long term freight contracts in USD, with the intention of having income, vessel investment and loans in the same currency in order to minimize the effects of exchange rate fluctuations.

## 11 Tax



The company is taxed based on the shipping tax regime. This means that companies are not taxed on the basis of its operating income. However it is calculated an annual tax of 22% on the company's net financial income. At the same time companies within the tonnage tax scheme will have to pay a tonnage tax based on the size of the company's operated vessels, which amounted to NOK 82 071 (NOK 161 923 last year). Tonnage tax is classified as an operating expense.

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

	<u>2021</u>	<u>Change</u>	<u>2020</u>
Loss carried forward	-25 519 773	-1 497 892	-24 021 881
Basis for deferred tax (benefit)	-25 519 773	-1 497 892	-24 021 881
Deferred tax (benefit)	-5 614 350	-329 536	-5 284 814
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:

	<u>2021</u>	<u>2020</u>
Net financial items	-3 250 680	-14 642 286
Non-deductible currency loss	-3 911 616	1 756 600
Other non-deductible items	-294 408	0
Non-deductible interest	5 958 812	10 713 719
Taxable income before loss carried forward	-1 497 892	-2 171 966
Change in loss carried forward	1 497 892	2 171 966
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

## 12 Inventories

Inventories refer to lube oil and stores as per 31 December (Inventories refer to bunkers, lube oil and stores last year).

## 13 Crew Hire

The company has no own employees, but hires all crew from related parties in accordance with a separate management agreement.

Specification:

	<u>2021</u>	<u>2020</u>
Grants crew expenses	-1 847 791	-3 035 325



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Shareholders' Meeting of KNOT Shuttle Tankers 18 AS

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of KNOT Shuttle Tankers 18 AS (the company) which comprise the balance sheet as at December 31, 2021, the statement of income and statement 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 comply with applicable statutory requirements, and
- the financial statements present fairly in all material respects the financial position of the Company as at December 31, 2021 and (of) its financial performance and its 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 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 as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities 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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on 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 information in the Board of Directors' report and for the other information presented with the financial statements. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the other information presented with the financial statements and the financial statements or our knowledge obtained in the audit, or the information in the Board of Directors' report and for the other information presented with the financial statements 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 the management for the Financial Statements

The management is responsible for the preparation of financial statements that give a true and fair view 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.



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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 insofar as it is not likely that the enterprise will cease operations.

## 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 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 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.

Oslo, 10 March 2022  
Ernst & Young AS

Johan Lid Nordby  
State Authorised Public Accountant  
(This document is signed electronically)

Independent auditor's report - Knot Shuttle Tankers 18 AS

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"By my signature I confirm all dates and content in this document."

## Johan Nordby

Statsautorisert revisor

On behalf of: Ernst & Young AS

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