



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 992 593 903  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: KNUITSEN SHUTTLE TANKERS 2 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: 04.03.2019

### 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, 02.05.2021



### Resultatregnskap

Beløp i: NOK	Note	2018	2017
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	3	52 775 184	53 237 292
<b>Sum inntekter</b>		<b>52 775 184</b>	<b>53 237 292</b>
<b>Kostnader</b>			
Lønnskostnad	10		
Avskrivning på varige driftsmidler og immaterielle eiendeler	9, 9	31 613 666	30 339 540
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9		
Annen driftskostnad	8	974 636	931 279
<b>Sum kostnader</b>		<b>32 588 302</b>	<b>31 270 819</b>
<b>Driftsresultat</b>		<b>20 186 882</b>	<b>21 966 473</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	4	3 585 413	-1 071 465
<b>Sum finansinntekter</b>		<b>3 585 413</b>	<b>-1 071 465</b>
Annen finanskostnad	4	8 133 822	8 060 549
<b>Sum finanskostnader</b>		<b>8 133 822</b>	<b>8 060 549</b>
<b>Netto finans</b>		<b>-4 548 410</b>	<b>-9 132 015</b>
<b>Ordinært resultat før skattekostnad</b>		<b>15 638 472</b>	<b>12 834 458</b>
Skattekostnad på ordinært resultat	12		
<b>Ordinært resultat etter skattekostnad</b>		<b>15 638 472</b>	<b>12 834 458</b>
<b>Årsresultat</b>		<b>15 638 472</b>	<b>12 834 458</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>15 638 472</b>	<b>12 834 458</b>
<b>Totalresultat</b>		<b>15 638 472</b>	<b>12 834 458</b>



## Balanse

Beløp i: NOK	Note	2018	2017
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	12		
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	7, 9, 7, 9	137 782 104	169 395 770
<b>Sum varige driftsmidler</b>		<b>137 782 104</b>	<b>169 395 770</b>
<b>Finansielle anleggsmidler</b>			
Lån til foretak i samme konsern	11		
<b>Sum anleggsmidler</b>		<b>137 782 104</b>	<b>169 395 770</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Konsernfordringer	11	108 924	17 933 202
<b>Sum fordringer</b>		<b>108 924</b>	<b>17 933 202</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	2	48 904 060	16 788 750
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>48 904 060</b>	<b>16 788 750</b>
<b>Sum omløpsmidler</b>		<b>49 012 984</b>	<b>34 721 952</b>
<b>SUM EIENDELER</b>		<b>186 795 088</b>	<b>204 117 722</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	5, 6	100 000	100 000



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Annen innskutt egenkapital		5 137 403	5 137 403
<b>Sum innskutt egenkapital</b>		<b>5 237 403</b>	<b>5 237 403</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		61 284 098	45 645 626
<b>Sum opptjent egenkapital</b>		<b>61 284 098</b>	<b>45 645 626</b>
<b>Sum egenkapital</b>	5	<b>66 521 501</b>	<b>50 883 028</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	7	118 137 250	151 890 750
<b>Sum annen langsiktig gjeld</b>		<b>118 137 250</b>	<b>151 890 750</b>
<b>Sum langsiktig gjeld</b>		<b>118 137 250</b>	<b>151 890 750</b>
<b>Kortsiktig gjeld</b>			
Betalbar skatt	12		
Kortsiktig konserngjeld	11, 11	662 475	
Annen kortsiktig gjeld		1 473 862	1 343 944
<b>Sum kortsiktig gjeld</b>		<b>2 136 337</b>	<b>1 343 944</b>
<b>Sum gjeld</b>		<b>120 273 587</b>	<b>153 234 694</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>186 795 088</b>	<b>204 117 722</b>



## Skattedirektoratet

Saksbehandler Jan Hoelstad	Deres dato 11.03.2011	Vår dato 30.03.2011
Telefon 22077325	Deres referanse Jørn Knutsen	Vår referanse 2011/327976

Ernst & Young AS  
Postboks 6163, Postterminalen  
5892 Bergen

## Dispensasjon fra kravet om utarbeidelse av årsregnskap og -beretning på norsk språk

Det vises til deres brev av 11. mars 2011 samt e-post av 30. mars 2011 med supplerende opplysninger i sakens anledning. Skattedirektoratet innvilget i vedtak 09/867030 av 2. juni 2010 TS Shipping Invest AS samt en rekke navngitte datterselskap, dispensasjon fra kravet om å utarbeide årsregnskap og – beretning på norsk språk. Da det er etablerte enkelte nye selskap i konsernet samt at er gjort endringer i konsernstruktur og eierskap for enkelte av de tidligere selskapene søkes det på nytt om dispensasjon for følgende selskap:

- Knutsen NYK Offshore Tankers AS org. nr: 995 221 713
- samt følgende datterselskap:
  - Knutsen Bøyelaster XI KS org. nr: 986 224 610
  - Knutsen Bøyelaster XI AS org. nr: 986 224 602
  - Knutsen Bøyelaster II KS \* org. nr: 959 321 752
  - Knutsen Bøyelaster II AS org. nr: 959 321 663
  - Knutsen Bøyelaster III KS \* org. nr: 959 505 349
  - Knutsen Bøyelaster III AS org. nr: 959 504 822
  - Knutsen Shuttle Tankers XII KS org. nr: 991 959 610
  - Knutsen Shuttle Tankers XII AS org. nr: 991 959 556
  - Knutsen Produkt Tanker IV KS \* org. nr: 961 068 355
  - Knutsen Produkt Tanker IV AS org. nr: 961 068 177
  - Knutsen Bøyelaster VI KS org. nr: 971 585 579
  - Knutsen Bøyelaster VI AS org. nr: 993 011 681
  - Knutsen Bøyelaster VIII KS org. nr: 979 539 649
  - Knutsen Bøyelaster VIII AS org. nr: 993 010 596
  - Knutsen Bøyelaster IX KS org. nr: 979 685 521
  - Knutsen Bøyelaster IX AS org. nr: 879 685 362
  - Knutsen Terminal Tanker AS org. nr: 945 404 191
  - Knutsen Newfoundland Chartering AS org. nr: 990 356 963
  - Knutsen Shuttle Tankers 2 AS org. nr: 992 593 903
  - Knutsen Offshore KS org. nr: 893 435 832
  - Knutsen Offshore AS org. nr: 992 593 881

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland 0134 Oslo	Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org. nr: 996250318	800 80 000 Telefaks
For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>		22 17 08 60



- Knutsen Produkt Tanker V AS org. nr: 979 976 445
- Knutsen Shuttle Tankers Pool AS org. nr: 982 302 536
- Knutsen Atlantic Chartering AS org. nr: 984 963 262
- Knutsen Canadian Chartering AS org. nr: 984 963 270
- Knutsen Offshore Tankers AS org. nr: 995 206 870
- Knutsen Offshore Tankers 2 AS org. nr: 995 206 862
- Knutsen Shuttle Tankers 3 AS org. nr: 995 146 584
- Knutsen NYK Management AS org. nr: 996 124 916
- Knutsen Shuttle Tanker 13 AS org. nr: 996 661 016
- Knutsen Tankers 2 AS org. nr: 992 593 792
- Knutsen Tankers 3 AS org. nr: 992 593 814

Alle datterselskapene er eid 100 % med unntak av selskapene merket med \*. I de tre selskapene som også har andre eiere, utgjør disse andre eierne et lite antall og kan anses som etablerte investorer.

#### **Søknad:**

Fra deres brev gjengis:

*"TS Shipping Invest AS etablerte det 100 % eide datterselskapet Knutsen Offshore Tankers ASA (KOT) i februar 2010. I april 2010 ble hele bøyelastervirksomheten i konsernet flyttet inn under KOT, hvor en rekke av de selskapene som var søkt avleggelse av regnskaper på engelsk fulgte med.*

*I desember 2010 solgte TS Shipping Invest AS seg ned til 50 % i KOT ved at det japanske rederiet NYK Line gikk inn på eiersiden og overtok 50 % av aksjene. Selskapet skiftet navn til Knutsen NYK Offshore Tankers AS (KNOT).*

*Alle selskapene i KNOT konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper. Som tidligere beskrevet er brukerne av regnskapene hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften (ansatte, kunder, leverandører etc.). Nytt fra tidligere er at den andre eieren NYK Line er engelskspråklig. Aksjonærstrukturen er begrenset til 2 hovedeiere.*

*Selskapets virksomhet er finansiert av en rekke norske og internasjonale banker. Ettersom finansieringen i all hovedsak gjøres via syndikerte banklån er det et krav fra bankene at regnskapene oversettes til i engelsk språkdrakt.*

*Også de aller fleste av selskapenes kunder og leverandører og andre brukerne har engelsk som sitt naturlige språk/forretningspråk..."*

#### **Skattedirektoratets vurdering og konklusjon**

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk.



*Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

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

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

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


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

I forhold til tidligere gitte dispensasjon, har det kommet inn japanske interessenter i tillegg på eiersiden. For øvrig anses øvrige sentrale faktorer som fortsatt til stede. Dette gjelder også de nyetablerte selskapene.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering de ovenfor nevnte selskapene dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

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

Med hilsen

  
Torstein Kinden Helleland  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

  
Jan Høelstad



## Knutsen Shuttle Tankers 2 AS

### Annual Report 2018



M/T “Loch Rannoch”



Knutsen  
Group





## KNUTSEN SHUTTLE TANKERS 2 AS

### REPORT OF THE BOARD OF DIRECTORS 2018

Knutsen Shuttle Tankers 2 AS owns one 130,031 DWT DP2 Suez-max shuttle tanker, M/T Loch Rannoch, delivered from Daewoo Heavy Industries in 1998.

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

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

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

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

The operating result for Knutsen Shuttle Tankers 2 AS was NOK 20 186 882 compared to NOK 21 966 473 in 2017. The net financial loss for the year was NOK 4 548 410, compared to NOK 9 132 015 the previous year. The result for the year became NOK 15 638 472 compared to NOK 12 834 458 the year before.

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

The liquidity position was NOK 48 904 060 as per 31.12.2018 compared to NOK 16 788 750 as per 31.12.2017. The company's ability to self-finance investments is good.

The company's short term debts per 31.12.2018 was 1.78 % of total debt, compared to 0.88 % as of 31.12.17. The financial position is satisfactory.

Total capital was by the end of the year NOK 186 795 088, compared to NOK 204 117 722 the year before.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Though, since the majority of the company's operating expenses and financial expenses also are denominated in USD, this limits the company's foreign exchange risk. The company has not entered into any forward contracts or other agreements in order to reduce the company's foreign exchange risk, hence the operating related market risk.

The group is also exposed to changes in the interest rate level, as it has long term debt carrying floating interest rate.



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

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

The requirements for environment and safety in the operations of the vessels are increasing, and both the company and the Knutsen NYK Offshore Tankers group emphasize operational quality.

The company and the group allocate considerable resources to quality control, and there are strict requirements to safety and the operational systems of the vessel. There are no matters that indicate that the company pollutes the external environment significantly, and the board of directors considers the working conditions as satisfactory. All certificates are valid. MT Loch Rannoch was certified in accordance with both the ISM and ISPS codes.


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

## **Future prospects**


The company's vessel is on a long term charter to Knutsen Bøyelaster VI KS until April 23, 2019. The vessel will thereafter be redelivered to the Company. The Board of Directors have agreed with Knutsen Shuttle Tankers Pool AS to participate in the pool with MT Loch Rannoch thereafter and the vessel will continue operation in the North Sea. The Company have also agreed with Knutsen Bøyelaster VI KS and KNOT Management AS to step into the current ship management contract for the vessel as owner. The Board is also in dialogue with the agent and lender in the financing of MT Loch Rannoch to extend the current loan for one year and is in agreement regarding the main terms, but the refinancing is subject documentation, final approval in the Lender, the Guarantor Knutsen NYK Offshore Tankers AS and the Company. Expected closing will be before due date of the loan in April 2020. The Board of Directors has thus reason to believe that 2019 will be another satisfactory year for the company.




Haugesund, February 22, 2019



Trygve Seglem  
*Chairman of the Board*



Fumitake Shishido  
*Member of the Board*



Karl Gerhard Bråstein Dahl  
*Member of the Board*



**Knutsen Shuttle Tankers 2 AS**

**Profit & Loss Account**

	Note	2018	2017
<b><u>Operating Income</u></b>			
Freight income	3	52 775 184	53 237 292
<i>Total Operating income</i>		<u>52 775 184</u>	<u>53 237 292</u>
<b><u>Operating Expenses</u></b>			
Administration	8	974 636	931 279
<i>Total Operating Expenses</i>		<u>974 636</u>	<u>931 279</u>
<i>Operating result before depreciation</i>		<u>51 800 548</u>	<u>52 306 013</u>
Ordinary depreciation	9	31 613 666	30 339 540
<i>Total depreciation and write-downs</i>		<u>31 613 666</u>	<u>30 339 540</u>
<i>Operating Result</i>		<u>20 186 882</u>	<u>21 966 473</u>
<b><u>Financial Income and Expenses</u></b>			
Financial income	4	642 376	433 770
Foreign exchange gain/loss		2 943 037	-1 505 235
Financial expenses	4	-8 133 822	-8 060 549
<i>Net Financial Items</i>		<u>-4 548 410</u>	<u>-9 132 015</u>
<i>Result before taxes</i>		<u>15 638 472</u>	<u>12 834 458</u>
Taxes	12	0	0
<i>Result for the year</i>		<u>15 638 472</u>	<u>12 834 458</u>



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

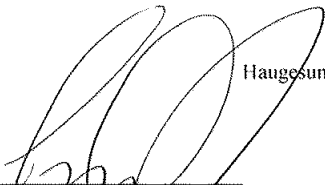
<u>EIENDELER</u>	Note	2018	2017
<b><u>Fixed Assets</u></b>			
Vessel	7, 9	137 782 104	169 395 770
<i>Total Fixed Assets</i>		<u>137 782 104</u>	<u>169 395 770</u>
<b><u>Current Assets</u></b>			
Intercompany receivables	11	108 924	17 933 202
Bank deposits	2	48 904 060	16 788 750
<i>Total Current Assets</i>		<u>49 012 984</u>	<u>34 721 952</u>
<i>TOTAL ASSETS</i>		<u>186 795 088</u>	<u>204 117 722</u>




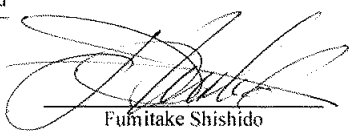
**Knutsen Shuttle Tankers 2 AS**  
**Balance Sheet as of 31. December**

<u>Shareholders Equity and Liabilities</u>	Note	2018	2017
<b><u>Equity</u></b>			
Share capital	5, 6	100 000	100 000
Other paid-up equity		5 137 403	5 137 403
<i>Total capital paid-in</i>		<u>5 237 403</u>	<u>5 237 403</u>
<b><u>Retained earnings</u></b>			
Other equity		61 284 098	45 645 626
<i>Total Shareholders' Equity</i>	5	<u>66 521 501</u>	<u>50 883 028</u>
<b><u>Long Term Debt</u></b>			
Mortgage debt	7	118 137 250	151 890 750
<i>Total Long Term Debt</i>		<u>118 137 250</u>	<u>151 890 750</u>
<b><u>Current Liabilities</u></b>			
Accrued interest		1 321 657	1 195 024
Intercompany liabilities	11	662 475	0
Other current liabilities		152 205	148 920
<i>Total Current Liabilities</i>		<u>2 136 337</u>	<u>1 343 944</u>
<i>Total liabilities</i>		<u>120 273 587</u>	<u>153 234 694</u>
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		<u>186 795 088</u>	<u>204 117 722</u>

Haugesund, February 22, 2019

  
Trygve Seglem  
chairman of the board

  
Karl Gerhard Bråstein Dahl  
member of the board

  
Fumitake Shishido  
member of the board



KNUTSEN SHUTTLE TANKERS 2 AS

CASHFLOW STATEMENT

	2018	2017
Total generated from operations 1)	53 575 888	50 615 748
Change in working capital	<u>18 616 671</u>	<u>-19 213 466</u>
Net cashflow from operations	<u>72 192 559</u>	<u>31 402 282</u>
Invested in vessel	<u>0</u>	<u>0</u>
Net cashflow from investments	<u>0</u>	<u>0</u>
Net repayment long term debt	<u>-40 077 250</u>	<u>-41 195 250</u>
Net cashflow from financing	<u>-40 077 250</u>	<u>-41 195 250</u>
Net cashflow for the year	32 115 309	-9 792 969
+ Cash balance per 1.1	<u>16 788 750</u>	<u>26 581 718</u>
= Cash Balance per 31.12.	<u>48 904 060</u>	<u>16 788 750</u>
1) Generated from operations:		
Result for the year before taxes	15 638 472	12 834 458
+ Ordinary depreciation	31 613 666	30 339 540
- Realised gain/loss long term debt	<u>6 323 750</u>	<u>7 441 750</u>
= Total generated from operations	<u>53 575 888</u>	<u>50 615 748</u>



**KNUTSEN SHUTTLE TANKERS 2 AS**

**Notes to the Financial Statement 31.12.2018**

**1 Accounting Principles**

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

**Current Assets/Current Liabilities**

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

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

The fixed assets are valued to the lowest of the depreciated value and the market value unless the fall in value is assumed to be temporary. Long-term debt is stated at nominal value.

**Transactions in Foreign Currency**

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

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

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

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

**Financial Instruments**

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

**Income**

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



## Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated to zero at the date 25 years after delivery.

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

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

## Tax

The company have elected to be taxed based on the Norwegian tonnage tax regime. The tonnage tax regime have a list of requirements that companies have to fulfill to qualify for election of the regime, such as minimum 3% direct or indirect ownership in vessels that perform transportation only. The company are restricted to what assets, liabilities and business they can participate in, and the same will apply for underlying companies and/or partnerships.

In the tonnage tax regime the company pay a tonnage tax based on the weight of the owned vessels and taxable result is based on a taxable financial result. This means that the company's operating results is not taxable. The taxable financial result is based on the net financial items in the profit and loss account where only a portion of the foreign exchange gain is taxable and a portion of the foreign exchange loss and interest expenses is deductible. The portion is based on the amount of financial assets compared to total assets in the balance sheet. The company will also have to pay a calculated tax on the equity if the equity exceed 70% of total capital. Tonnage tax is classified as an operating expense in the profit and loss statement.

The calculated tax expenses in the profit and loss statement includes both the payable tax for the period in addition to the change in deferred tax. Deferred tax is calculated based on the temporary differences between the balance sheet values in the accounts and the tax values in addition to the tax loss carried forward at the end of the financial year. Tax increasing and decreasing changes in temporary differences that can be reversed in the same period are offset and the net value is taken into the accounts.

## Cash flow statement

The cash flow statement is presented using the indirect method of NRS. The liquidity balance is defined as the sum of cash, bank deposits and other short-term liquid deposits.

## Related party transactions

The Company has undertaken several agreements and transactions with related parties in the KNOT group. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers services to the Company performed by corporate functions like management, legal, accounting and controlling, risk management and commercial management.



## 2 Bank deposits

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

## 3 Contracts

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

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

## 4 Financial Income and -Expenses

	2018	2017
<b>Financial Income:</b>		
Interest income from group companies	63 468	305 222
Other interest income	578 908	128 548
Total financial income	642 376	433 770
<b>Financial expenses:</b>		
Interest expenses to group companies	150 797	25 849
Interest expenses	6 804 686	6 594 012
Guarantee cost to group companies	1 169 197	1 432 637
Other financial expenses	9 141	8 051
Total financial expenses	8 133 822	8 060 549

## 5 Equity

Specification of the equity per 31.12.

	Share capital	Additional paid-in capital	Other equity	Total equity
Equity 1.1	100 000	5 137 403	45 645 626	50 883 028
Result for the year	0	0	15 638 472	15 638 472
Equity 31.12.	100 000	5 137 403	61 284 098	66 521 501

Share capital consist of 100 shares à NOK 1,000

The company is a wholly owned subsidiary of Knutsen Offshore Tankers 2 AS. Financial statements for the group can be obtained at company's registered office, Smedasundet 40, 5529 Haugesund.

## 6 Shares Owned by Board Members and Affiliates

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



## 7 Mortgage Debt and Financial Instruments

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

31.12.18	USD	Historical rate	Rate per 31.12	NOK
USD-loan	<u>17 500 000</u>	6,7507	6,7507	<u>118 137 250</u>
Current portion	<u>7 750 000</u>			<u>52 317 925</u>
31.12.17		Historical rate	Rate per 31.12	
USD-loan	<u>22 500 000</u>	6,7507	6,7507	<u>151 890 750</u>
Current portion	<u>5 250 000</u>			<u>35 441 175</u>

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

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 31.12.2018 the not recorded foreign exchange loss (i.e. off-balance) is NOK 34.0 million compared to a loss of NOK 33.5 million as per 31.12.2017.

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

Book value of mortgaged assets is NOK 137.8 million (NOK 169.4 million in 2017)

Estimated outstanding debt per year end 2023 is USD 0 million.

## 8 Remuneration

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

Auditors remuneration (not including VAT):	2018	2017
Audit	<u>33 723</u>	<u>32 697</u>
Tax services	<u>0</u>	<u>0</u>
Other services besides audit	<u>0</u>	<u>0</u>
Sum	<u>33 723</u>	<u>32 697</u>



## 9 Fixed Assets and Dry-Docking

<u>Vessel</u>	2018	2017
Historical value 1.1.	428 390 175	428 390 175
Acc. Depreciaton 1.1.	258 994 405	228 654 865
Book Value 1.1.	169 395 770	199 735 310
Allocation to dry-dock	-19 634 725	0
Ordinary annual depreciation	29 019 077	30 339 540
Book value 31.12.	120 741 968	169 395 770

<u>Dry-Docking</u>	2018	2017
Additions	19 634 725	0
Ordinary annual depreciation	2 594 589	0
Book value 31.12.	17 040 136	0

Book value vessel 31.12. 137 782 104 169 395 770

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

## 10 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). KNOT Management AS manages the Company in accordance with a separate management agreement.

## 11 Intercompany balances

	2018	2017
<u>Short-term liabilities to group companies/related parties</u>		
Knutsen Bøyelaster VI KS	148 292	0
KNOT Management AS	117 752	0
KNOT Suttle Tankers 22 AS	396 432	0
	662 475	0
<u>Receivables</u>		
Knutsen NYK Offshore Tankers AS	108 924	17 933 202



## 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 23% on the company's net financial income. At the same time companies are within the tonnage tax scheme and therefor imposed tonnage tax, which in 2018 amounted to NOK 152 205 (and NOK 148 920 in 2017). Tonnage tax is classified as an operating expense.

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

	2018	Change	2017
Loss carried forward	-15 732 880	-2 750 013	-12 982 867
Basis for deferred tax (benefit)	-15 732 880	-2 750 013	-12 982 867
Deferred tax (benefit) booked	0	0	0

Taxable result tonnage tax scheme:

	2018	2017
Net financial items	-4 548 410	-9 132 015
Foreign exchange hedge over income	-6 323 750	-7 441 750
Non-deductable interest expenses	5 465 593	5 677 044
Non-taxable currency gain	2 656 553	7 672 732
Taxable income before loss carried forward	-2 750 013	-3 223 990
Loss carried forward	-2 750 013	-3 223 990
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 Knutsen Shuttle Tankers 2 AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Knutsen Shuttle Tankers 2 AS, which comprise the balance sheet as at 31 December 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, 22 February 2019  
ERNST & YOUNG AS

  
Magnus H. Birkeland  
State Authorised Public Accountant (Norway)