



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

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: 11.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 24.03.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter	2	146 108 145	149 566 571
Andre driftsinntekter	2	20 989	964
Amortisering kontrakter	3		
Sum inntekter		146 129 134	149 567 534
Kostnader			
Leie mannskap	13	24 749 486	27 294 351
Ordinære avskrivninger skip	3	49 350 998	49 132 926
Ordinære avskrivninger periodisk vedlikehold	3		
Andre driftskostnader		22 727 010	19 614 300
Administrasjonskostnader	6	6 597 833	5 959 058
Sum kostnader		103 425 327	102 000 634
Driftsresultat		42 703 807	47 566 900
Finansinntekter og finanskostnader			
Finansinntekter	4	71 438	404 408
Agio/disagio		-2 144 084	1 162 089
Sum finansinntekter		-2 072 646	1 566 497
Finanskostnader	4	12 569 640	19 115 551
Sum finanskostnader		12 569 640	19 115 551
Netto finans		-14 642 286	-17 549 054
Ordinært resultat før skattekostnad		28 061 521	30 017 846
Skattekostnad	11		
Ordinært resultat etter skattekostnad		28 061 521	30 017 846
Årsresultat		28 061 521	30 017 846
Årsresultat etter minoritetsinteresser		28 061 521	30 017 846
Totalresultat		28 061 521	30 017 846



Resultatregnskap

Beløp i: NOK	Note	2020	2019
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Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	3		
Varige driftsmidler			
Skip	3	495 736 005	544 355 320
Periodisk vedlikehold	3		
Sum varige driftsmidler		495 736 005	544 355 320
Sum anleggsmidler		495 736 005	544 355 320
Omløpsmidler			
Varer			
Beholdninger	12	5 575 850	1 016 960
Sum varer		5 575 850	1 016 960
Fordringer			
Debitorer	7	6 077 879	3 590 133
Konsernfordringer		3 666 129	
Sum fordringer		9 744 008	3 590 133
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		7 099 647	15 606 598
Sum bankinnskudd, kontanter og lignende		7 099 647	15 606 598
Sum omløpsmidler		22 419 505	20 213 691
SUM EIENDELER		518 155 510	564 569 011

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2020	2019
Aksjekapital 2 400 á kr 55	5, 9	132 000	132 000
Overkurs		116 644 752	116 644 752
Annen innskutt egenkapital		186 517 579	190 775 756
Sum innskutt egenkapital		303 294 331	307 552 508
Opptjent egenkapital			
Annen egenkapital		29 675 567	32 425 594
Sum opptjent egenkapital		29 675 567	32 425 594
Sum egenkapital	5	332 969 898	339 978 102
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	175 550 402	214 201 513
Sum annen langsiktig gjeld		175 550 402	214 201 513
Sum langsiktig gjeld		175 550 402	214 201 513
Kortsiktig gjeld			
Leverandørgjeld	7	2 655 561	3 023 915
Kortsiktig konserngjeld		385 786	5 746 894
Andre finansielle instrumenter	10		
Annen kortsiktig gjeld		6 593 863	1 618 587
Sum kortsiktig gjeld		9 635 210	10 389 396
Sum gjeld		185 185 612	224 590 909
SUM EGENKAPITAL OG GJELD		518 155 510	564 569 011



KNOT Shuttle Tankers 18 AS

Annual Report 2020



M/T "Windsor Knutsen"

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 18 AS

REPORT OF THE BOARD OF DIRECTORS 2020

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

In October, 2020, the charterer of the vessel MT Windsor Knutsen, a subsidiary of Shell sent the notice of redelivery and the vessel was redelivered from the charter 8th December, 2020. The Company is currently in final negotiations with a potential charterer for a one-year fixed time charter contract to commence in or around July 2021 for trading in Brazil. 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 is expected to cover the cost of repairs and loss of hire insurance is expected to provide income at approximately the level earned during the vessel's prior long-term charter, excepting a 14-day deductible period under the policy, until such time as the vessel is repaired and fully operational, which is expected to be in or around June 2021. The incident and the repair are not expected to result in any future loss of hire.

Result for the year

The operating result for KNOT Shuttle Tankers 18 AS was NOK 42 703 807 in 2020 compared to NOK 47 566 900 in 2019. After net financial loss of NOK 14 642 286 in 2020, against a loss of NOK 17 549 054 in 2019, the results of the year were NOK 28 061 521 in 2020 compared to NOK 30 017 846 in 2019.

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

Total cash flow from operational activities was NOK 89 667 081 in 2020, compared to NOK 102 784 674 in 2019. The liquidity position was NOK 7 099 647 as per 31.12.2020 compared to NOK 15 606 598 as per 31.12.2019. The company's ability to finance its investments is good. The outstanding mortgage loan is at the end of 2020 USD 28 991 308, USD 35 474 696 at the end of 2019.

The company's short-term debt was 5.2 % of total debt as of 31.12.2020, compared to 4.6 % as of 31.12.2019.



Total capital was by the end of the year NOK 518 155 510, compared to NOK 564 569 011 the year before. The equity-share as of 31.12.2020 was 64 %, compared to 60 % per 31.12.2019.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since most 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 2020 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.

Prospects

Based on that the company vessel M/T Windsor Knutsen is covered by loss of hire insurance until the vessel is expected to be ready for operation in June, 2021, the outlook for securing a fixed time charter contract for the M/T Windsor Knutsen for operation in Brazil commencing in or around July and the long-term financing of the vessel. The board has every reason to believe that the 2021 will be a satisfactory year for the company.



Haugesund, March 10, 2021

Trygve Seglem
Chairman of the Board

Karl Gerhard Bråstein Dahl
Member of the Board

Takashi Doiyo
Member of the Board



KNOT Shuttle Tankers 18 AS

Profit & Loss Account

	Note	2020	2019
<u>Operating Income</u>			
Operating income	2	146 108 145	149 566 571
Other income	2	20 989	964
<i>Total Operating income</i>		<u>146 129 134</u>	<u>149 567 534</u>
<u>Operating Expenses</u>			
Crew-hire	13	24 749 486	27 294 351
Other operating expenses		22 727 010	19 614 300
Administration	6	6 597 833	5 959 058
<i>Total Operating Expenses</i>		<u>54 074 329</u>	<u>52 867 708</u>
Ordinary depreciation	3	49 350 998	49 132 926
<i>Operating Result</i>		<u>42 703 807</u>	<u>47 566 900</u>
<u>Financial Income and Expenses</u>			
Financial income	4	71 438	404 408
Foreign exchange gain/loss		-2 144 084	1 162 089
Financial expenses	4	-12 569 640	-19 115 551
<i>Net Financial Items</i>		<u>-14 642 286</u>	<u>-17 549 054</u>
<i>Result before taxes</i>		<u>28 061 521</u>	<u>30 017 846</u>
Taxes	11	0	0
<i>Result for the year</i>		<u>28 061 521</u>	<u>30 017 846</u>



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

<u>Assets</u>	Note	2020	2019
<u>Non Current Assets</u>			
Vessel	3	495 736 005	544 355 320
<i>Total non Current Assets</i>		<u>495 736 005</u>	<u>544 355 320</u>
<u>Current Assets</u>			
Inventories	12	5 575 850	1 016 960
Receivables	7	6 077 879	3 590 133
Current receivables group		3 666 129	0
Bank deposits		7 099 647	15 606 598
<i>Total Current Assets</i>		<u>22 419 505</u>	<u>20 213 691</u>
TOTAL ASSETS		<u>518 155 510</u>	<u>564 569 011</u>

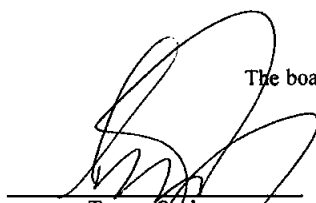


KNOT Shuttle Tankers 18 AS
Balance Sheet as of 31. December


<u>Shareholders Equity and Liabilities</u>	Note	2020	2019
Equity			
Share capital	5, 9	132 000	132 000
Share premium		116 644 752	116 644 752
Capital paid-in		186 517 579	190 775 756
<i>Total capital paid-in</i>		<u>303 294 331</u>	<u>307 552 508</u>
Other equity		29 675 567	32 425 594
<i>Total Shareholders' Equity</i>	5	<u>332 969 898</u>	<u>339 978 102</u>
Long Term Debt			
Liabilities to financial institutions	10	175 550 402	214 201 513
<i>Total Long Term Debt</i>		<u>175 550 402</u>	<u>214 201 513</u>
Current Liabilities			
Accounts payable	7	2 655 561	3 023 915
Current liabilities group		385 786	5 746 894
Other current liabilities		6 593 863	1 618 587
<i>Total Current Liabilities</i>		<u>9 635 210</u>	<u>10 389 396</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>518 155 510</u>	<u>564 569 011</u>

Haugesund, March 10, 2021

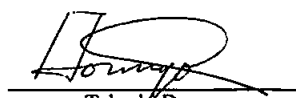
The board of KNOT Shuttle Tankers 18 AS



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

	2020	2019
<u>Cashflow from operations</u>		
Total generated from operations 1)	101 134 032	97 588 758
Change in working capital	<u>-11 466 951</u>	<u>5 195 916</u>
Net cashflow from operations	<u>89 667 081</u>	<u>102 784 674</u>
<u>Cashflow from investments</u>		
Additions/disposals vessel	<u>-731 683</u>	<u>0</u>
Net cashflow from investments	<u>-731 683</u>	<u>0</u>
<u>Cashflow from financing</u>		
Net paid-out dividend/group contribution	-35 069 725	-40 312 055
Paid installments on mortgage debt	<u>-62 372 624</u>	<u>-56 923 336</u>
Net cashflow from financing	<u>-97 442 349</u>	<u>-97 235 391</u>
Net change in cashflow for the period	-8 506 951	5 549 283
+ Cash balance per 01.01.	<u>15 606 598</u>	<u>10 057 315</u>
= Cash Balance per 31.12	<u>7 099 647</u>	<u>15 606 598</u>

1) Generated from operations:

The result for the period before taxes	28 061 521	30 017 846
+ Ordinary depreciation	49 350 998	49 132 926
+Amortization deferred debt issuance cost	1 012 312	1 178 073
+Realized currency gain mortgage debt	<u>22 709 201</u>	<u>17 259 913</u>
= Total generated from operations	<u>101 134 032</u>	<u>97 588 758</u>



KNOT SHUTTLE TANKERS 18 AS

Notes to the Financial Statement 31.12.2020

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. 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.

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.

Other non Current Assets

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

The total cost of the contract value is linearly capitalised over the contract period.

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. 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.

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 KNOT and KNOP group. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers 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

In October, 2020, the charterer of the vessel MT Windsor Knutsen, a subsidiary of Shell sent the notice of redelivery and the vessel was redelivered from the charter 8th December, 2020. The company is currently discussing new re-chartering opportunities for commencement in 2021.

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

3 Non Current Assets

Vessel	2020	2019
Historical value 1.1	819 266 837	819 266 837
Acc. Depreciation 1.1	290 117 550	247 501 500
Book value 1.1	529 149 287	571 765 337
Ordinary annual depreciation	42 616 050	42 616 050
Book value 31.12.	486 533 237	529 149 287
Dry-docking		
Capitalised dry-docking 1.1	34 493 145	34 493 145
Acc. Depreciation dry-docking 1.1	19 287 112	12 770 236
Capitalised dry-docking 1.1	15 206 033	21 722 909
Additions/disposals	731 683	0
Ordinary annual depreciation	6 734 948	6 516 876
Book value 31.12.	9 202 768	15 206 033
Total vessel	495 736 005	544 355 320

4 Financial Income and -Expenses

	2020	2019
Financial Income:		
Other interest income	71 438	404 408
Total financial income	71 438	404 408
Financial expenses:		
Interest expenses	10 918 031	17 260 455
Guarantee cost related parties	1 498 633	1 662 335
Other financial expenses	152 976	192 762
Total financial expenses	12 569 640	19 115 551

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	190 775 756	32 425 594	339 978 102
Extraordinary paid-out dividend	0	0	-4 258 177	-30 811 548	-35 069 725
Result for the year	0	0	0	28 061 521	28 061 521
Equity 31.12.	132 000	116 644 752	186 517 579	29 675 567	332 969 898

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):	2020	2019
Auditing	37 638	36 033
Other consultancy	0	0
	<u>37 638</u>	<u>36 033</u>

7 Balances with related parties

	2020	2019
<u>Current receivables related parties</u>		
Knutsen Shuttle Tankers Pool AS	0	192 789
KNOT Management AS	438 127	1 074 154
	<u>438 127</u>	<u>1 266 943</u>

<u>Accounts payable related parties</u>		
Knutsen OAS Crewing AS	82 639	60 195
Knutsen OAS Shipping AS	1 577 476	1 342 706
KNOT Management AS	138 338	161 471
	<u>1 798 454</u>	<u>1 564 372</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 27,84% of KNOT Offshore Partners LP.

10 Mortgage Debt and Financial Instruments

31.12.2020

	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>

31.12.2019

	USD	Historical rate	Rate per 31.12	NOK
USD-loan	35 474 696	8,1556	6,1177	217 023 548
Deferred debt issuance costs				<u>-2 822 034</u>
				<u>214 201 513</u>
Current portion:				
USD-loan	6 483 388			39 663 423
Deferred debt issuance costs				<u>-1 012 317</u>
				<u>38 651 106</u>

The USDNOK exchange rate at the year-end was 8,5375 (8,8176 per 31.12.2019).



Estimated outstanding debt per year end 2025 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 31.12.2020 the not recorded foreign exchange loss (i.e. off-balance) is NOK 70 million compared to a loss of NOK 96 million as per 31.12.2019.

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 518 million per 31.12.2020 (NOK 565 million at 31.12.19).

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 in 2020 amounted to NOK 161 923 (NOK 161 923 in 2019). Tonnage tax is classified as an operating expense.

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

	<u>2020</u>	<u>Change</u>	<u>2019</u>
Loss carried forward	-24 021 881	-2 171 966	-21 849 915
Basis for deferred tax (benefit)	-24 021 881	-2 171 966	-21 849 915
Deferred tax (benefit)	-5 284 814	-477 833	-4 806 981
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>2020</u>	<u>2019</u>
Net financial items	-14 642 286	-17 549 054
Non-deductable currency loss	1 756 600	-1 238 170
Non-deductable interest	10 713 719	16 995 762
Taxable income before loss carried forward	-2 171 966	-1 791 462
Change in loss carried forward	2 171 966	1 791 462
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

12 Inventories

Inventories refer to bunkers, lube oil and stores as per 31 December.



13 Crew Hire

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

Specification:

Grants crew expenses

	<u>2020</u>	<u>2019</u>
	-3 035 325	-1 475 428



Statsautoriserte revisorer
Ernst & Young AS

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

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 18 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 18 AS, which comprise the balance sheet as at 31 December 2020, 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 2020 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) 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 on the other information obtained prior to the date of the auditor's report, 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,

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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, 10 March 2021
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report - KNOT Shuttle Tankers 18 AS

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Johan Nordby

Statsautorisert revisor

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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;

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

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 www.skatteetaten.no	Besøksadresse: Se www.skatteetaten.no 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