



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 812 818 252
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 22 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

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: 27.02.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.04.2021



Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	108 766 132	122 345 123
Annen driftsinntekt		-1 412 220	-1 571 684
Sum inntekter		107 353 913	120 773 439
Kostnader			
Lønnskostnad	11	25 599 934	28 871 535
Avskrivning på varige driftsmidler og immaterielle eiendeler	4	29 272 222	25 143 388
Annen driftskostnad	10	21 978 243	20 467 087
Sum kostnader		76 850 400	74 482 010
Driftsresultat		30 503 513	46 291 430
Finansinntekter og finanskostnader			
Annen finansinntekt	5	-1 035 576	1 402 640
Sum finansinntekter		-1 035 576	1 402 640
Annen finanskostnad	5	6 399 547	7 934 122
Sum finanskostnader		6 399 547	7 934 122
Netto finans		-7 435 123	-6 531 482
Ordinært resultat før skattekostnad		23 068 390	39 759 948
Skattekostnad på ordinært resultat	12		
Ordinært resultat etter skattekostnad		23 068 390	39 759 948
Årsresultat		23 068 390	39 759 948
Årsresultat etter minoritetsinteresser		23 068 390	39 759 948
Totalresultat		23 068 390	39 759 948



Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	12		
Varige driftsmidler			
Skip, rigger, fly og lignende	4, 6	69 373 587	82 887 932
Sum varige driftsmidler		69 373 587	82 887 932
Finansielle anleggsmidler			
Lån til foretak i samme konsern		18 068 272	38 035 515
Sum finansielle anleggsmidler		18 068 272	38 035 515
Sum anleggsmidler		87 441 859	120 923 447
Omløpsmidler			
Varer			
Varer	13	789 975	
Sum varer		789 975	
Fordringer			
Andre fordringer		4 093 792	3 869 347
Konsernfordringer		3 376 730	1 228 298
Sum fordringer		7 470 521	5 097 645
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	2	22 527 908	41 405 246
Sum bankinnskudd, kontanter og lignende		22 527 908	41 405 246
Sum omløpsmidler		30 788 404	46 502 890
SUM EIENDELER		118 230 264	167 426 338

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2017	2016
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8, 9	100 000	100 000
Sum innskutt egenkapital		100 000	100 000
Opptjent egenkapital			
Annen egenkapital		32 828 338	39 759 948
Sum opptjent egenkapital		32 828 338	39 759 948
Sum egenkapital	8	32 928 338	39 859 948
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6	72 822 713	109 469 045
Sum annen langsiktig gjeld		72 822 713	109 469 045
Sum langsiktig gjeld		72 822 713	109 469 045
Kortsiktig gjeld			
Leverandørgjeld	7	511 489	3 644 460
Betalbar skatt	12		
Kortsiktig konserngjeld		15 584	
Annen kortsiktig gjeld		11 952 139	14 452 884
Sum kortsiktig gjeld		12 479 212	18 097 345
Sum gjeld		85 301 925	127 566 390
SUM EGENKAPITAL OG GJELD		118 230 264	167 426 338



Skattedirektoratet

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

TS SHIPPING INVEST AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

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

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

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

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

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

Skattedirektoratets vurdering

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

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318 E-post: skatteetaten.no/sendepost	Sentralbord 800 80 000 Telefaks 22 17 08 60
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være på et annet språk.”

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

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland



KNOT Knutsen
NYK Offshore
Tankers

KNOT Shuttle Tankers 22 AS

Annual Report 2017



M/T “ Dan Eagle ”



Knutsen
Group



NYK GROUP



KNOT SHUTTLE TANKERS 22 AS

REPORT OF THE BOARD OF DIRECTORS 2017

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

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

The company's activity

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

Result for the year

The operating result for KNOT Shuttle Tankers 22 AS was NOK 30 503 513 in 2017 compared to NOK 46 291 430 in 2016. After net financial expenses of NOK 7 435 123 in 2017, NOK 6 531 482 in 2016, the results of the year was NOK 23 068 390 in 2017 compared to NOK 39 759 948 in 2016.

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

Total cash flow from operating activities in the company was NOK 56 967 390, NOK 77 885 210 in 2016. The liquidity position was NOK 22 527 908 as per 31.12.2017 compared to NOK 41 405 246 as per 31.12.2016. The company's ability to finance its investments is good. The company have financed the vessel with a senior and junior long-term mortgage loan. The outstanding mortgage loan was at the end of 2017 USD 12 100 000.

The company's short-term debt per 31.12.2017 was 15 % of total debt (14 % in 2016).

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

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

Total capital was by the end of the year NOK 118 230 264, NOK 167 426 338 at the end of 2016. The equity share as of 31.12.2017 was 28 % up from 24 % the year before.

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



The environment safety and quality control

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

The company is not aware of any significant pollution to the external environment, and the Board of Directors considers the working conditions on-board the ship as satisfactory. M/T Dan Egel is certified in accordance with both ISM code and the ISPS code.

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

Future prospects

M/T Dan Egel is operated on a long-term charter with Petrobras in Brazil. The charterer and trading area is well known for the manager and the Board of Directors. The vessel was in Europe in first half of 2017 for her 17.5 year intermediate survey and the vessel has now all certificates for operation under the time charter contract until the vessel is due for 20 year class. The Board of Directors expect that 2018 will be a profitable year for the company.

Haugesund, February 27, 2018



Trygve Seglem
Chairman of the Board



Fumitake Shishido
Member of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



KNOT Shuttle Tankers 22 AS

Profit & Loss Account

	<u>Note</u>	2017	2016
<u>Operating Income</u>			
Freight income	3	108 766 132	122 345 123
Voyage expenses		-1 412 220	-1 571 684
<i>Total Operating income</i>		<u>107 353 913</u>	<u>120 773 439</u>
<u>Operating Expenses</u>			
Crew-hire	11	25 599 934	28 871 535
Other operating expenses		18 159 624	15 262 174
Administration	10	3 818 620	5 204 912
<i>Total Operating Expenses</i>		<u>47 578 178</u>	<u>49 338 622</u>
Ordinary depreciation	4	29 272 222	25 143 388
<i>Operating Result</i>		<u>30 503 513</u>	<u>46 291 430</u>
<u>Financial Income and Expenses</u>			
Financial income	5	859 947	955 159
Foreign exchange gain/loss		-1 895 523	447 481
Financial expenses	5	-6 399 547	-7 934 122
<i>Net Financial Items</i>		<u>-7 435 123</u>	<u>-6 531 482</u>
<i>Result before taxes</i>		<u>23 068 390</u>	<u>39 759 948</u>
Taxes	12	0	0
<i>Result for the year</i>		<u>23 068 390</u>	<u>39 759 948</u>



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

<u>Assets</u>	<u>Note</u>	2017	2016
<u>Fixed assets</u>			
Vessel	4, 6	69 373 587	82 887 932
Loans to group companies		18 068 272	38 035 515
<i>Total Fixed Assets</i>		<u>87 441 859</u>	<u>120 923 447</u>
<u>Current Assets</u>			
Inventories	13	789 975	0
Other receivables		4 093 792	3 869 347
Intercompany receivables		3 376 730	1 228 298
Bank deposits	2	22 527 908	41 405 246
<i>Total Current Assets</i>		<u>30 788 404</u>	<u>46 502 890</u>
<i>TOTAL ASSETS</i>		<u>118 230 264</u>	<u>167 426 338</u>




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

<u>Shareholders Equity and Liabilities</u>	<u>Note</u>	<u>2017</u>	<u>2016</u>
<u>Equity</u>			
Share capital	8, 9	100 000	100 000
<i>Total capital paid-in</i>		<u>100 000</u>	<u>100 000</u>
Other equity		32 828 338	39 759 948
<i>Total Shareholders' Equity</i>	8	<u>32 928 338</u>	<u>39 859 948</u>
<u>Long Term Debt</u>			
Mortgage debt	6	72 822 713	109 469 045
<i>Total Long Term Debt</i>		<u>72 822 713</u>	<u>109 469 045</u>
<u>Current Liabilities</u>			
Trade creditors	7	511 489	3 644 460
Accrued interest		548 677	757 432
Intercompany liabilities		15 584	0
Other current liabilities		11 403 462	13 695 452
<i>Total Current Liabilities</i>		<u>12 479 212</u>	<u>18 097 345</u>
<i>Total liabilities</i>		<u>85 301 925</u>	<u>127 566 390</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>118 230 264</u>	<u>167 426 338</u>


Haugesund, February 27, 2018



Trygve Seglem
chairman of the board



Fumitake Shishido
member of the board



Karl Gerhard Bråstein Dahl
member of the board



KNOT SHUTTLE TANKERS 22 AS

CASHFLOW STATEMENT

	2017	2016
Total generated from operations 1)	65 748 375	79 082 930
Change in working capital	<u>-8 780 985</u>	<u>-1 197 720</u>
Net cashflow from operations	<u>56 967 390</u>	<u>77 885 210</u>
Invested in vessel	-15 757 877	39
Net lending to group companies	<u>19 967 243</u>	<u>35 144 820</u>
Net cashflow from investments	<u>4 209 366</u>	<u>35 144 859</u>
Dividends	-30 000 000	-34 623 783
Net change mortgage debt	<u>-50 054 095</u>	<u>-50 824 410</u>
Net cashflow from financing	<u>-80 054 095</u>	<u>-85 448 193</u>
Net cashflow for the year	-18 877 339	27 581 875
+ Cash balance per 01.01.	<u>41 405 246</u>	<u>13 823 372</u>
= Cash Balance per 31.12.	<u>22 527 908</u>	<u>41 405 246</u>
1) Generated from operations:		
Result for the year before tax	23 068 390	39 759 948
+ Ordinary depreciation	29 272 222	25 143 388
+ Amortized debt issuance cost	726 068	727 584
+ Currency loss (- gain) mortgage debt	<u>12 681 695</u>	<u>13 452 010</u>
= Total generated from operations	<u>65 748 375</u>	<u>79 082 930</u>



KNOT SHUTTLE TANKERS 22 AS

Notes to the Financial Statement 31.12.2017

1 Accounting Principles

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

Current Assets/Current Liabilities

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

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

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

Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly to residual value at the date 20 years after delivery of the vessel from newbuilding yard.

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

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

Tax

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



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

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

Income

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

Accounts Receivable

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

Transactions in Foreign Currency

The income received in USD is recorded at the rate of exchange on the day the transaction is carried out. Income and expenditure in foreign currency are converted with the exchange rate at the time of the transaction.

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

The debt is valued at the historical rate, to the extent that the future net nominal income flow exceed the borrowed amount. To the extent that long-term debt exceeds the net nominal income flow, the unrealised foreign exchange loss on the exceeding amount is recorded. Realized and unrealized profit and loss on foreign exchange are recorded as financial income / expenses.

Cash flow statement

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

Related party transactions

The Company has undertaken several agreements and transactions with related parties in the KNOT. The level of fees are based on market terms and are in accordance with the arm's length principle. KNOT Management Denmark A/S delivers ship management services for the Company's vessel. Ship management fee includes services like technical management, crewing management, IT and energy management.



2 Bank deposits

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

3 Contracts

The company has secured employment of the vessel, M/T Dan Eagel, with a fixed time charter contract until the vessel is due for 20 year special survey to Petrobras.

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

4 Fixed Assets and Dry-Docking

<u>Vessel</u>	<u>2017</u>	<u>2016</u>
Historical value	96 199 032	96 199 070
Acc. depreciation 01.01.	38 365 012	23 589 000
Book Value 01.01.	57 834 019	72 610 070
Additions	0	-39
Ordinary annual depreciation	14 950 296	14 776 012
Book value 31.12.	42 883 724	57 834 019

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

<u>Dry-Docking</u>	<u>2017</u>	<u>2016</u>
Capitalised dry-docking	50 972 854	50 972 854
Acc. depreciation 01.01.	25 918 942	15 551 566
Capitalised dry-docking 01.01.	25 053 912	35 421 288
Additions	15 757 877	0
Ordinary annual depreciation	14 321 926	10 367 376
Capitalised 31.12.	26 489 863	25 053 912
Total book value vessel 31.12.	69 373 587	82 887 931

5 Financial Income and -Expenses

	<u>2017</u>	<u>2016</u>
Financial Income:		
Interest income from group companies	214 783	508 738
Interest income	232 567	26 012
Guarantee income related parties	412 597	420 410
Total financial income	859 947	955 159
Financial expenses:		
Interest expense	5 696 593	6 972 185
Guarantee expenses related parties	624 897	891 968
Other financial expenses	78 057	69 970
Total financial expenses	6 399 547	7 934 122



6 Mortgage Debt and Financial Instruments

<u>31.12.2017</u>	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	12 100 000	6,1003	6,1003	73 814 100
Deferred debt issuance costs				-991 387
				<u>72 822 713</u>
Current portion	6 066 667	6,1603	6,1603	37 372 402
Deferred debt issuance costs				-726 068
				<u>36 646 334</u>
<u>31.12.2016</u>	USD	Historical rate	Rate as at 31.12	NOK
USD-loan	18 166 667	6,1204	6,1204	111 186 501
Deferred debt issuance costs				-1 717 456
				<u>109 469 045</u>
Current portion	6 066 667	6,1603	6,1603	37 372 402
Deferred debt issuance costs				-724 416
				<u>36 647 986</u>

The USDNOK exchange rate at the year-end was 8,2411 (8,6456 in 2016).

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

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

Future income flows from anticipated fixed contracts in USD exceed debt in USD. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate. Per 31.12.2017 the not recorded foreign exchange loss (i.e. off-balance) is NOK 26 million compared to a loss of NOK 46 million as per 31.12.2016.

Book value of mortgaged assets is NOK 118 million (NOK 167 million in 2016).

The estimated outstanding debt per 31.12.2022 is USD 0 million.

7 Balances with group and associated companies

	<u>2017</u>	<u>2016</u>
<u>Trade creditors</u>		
KNOT Management Denmark A/S	511 489	3 620 807



8 Equity

Specification of the equity per 31.12.

	Share capital	Other equity	Total equity
Equity 01.01	100 000	39 759 948	39 859 948
Extraordinary dividend paid-out	0	-30 000 000	-30 000 000
Result for the year	0	23 068 390	23 068 390
Equity 31.12.	100 000	32 828 338	32 928 338

Share capital consist of 100 shares à NOK 1,000

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

9 Shares Owned by Board Members and Affiliates

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

10 Remuneration

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

Auditors remuneration (excl. VAT):	2017	2016
Audit	10 250	15 836
Tax advice	0	0
Other services besides audit	35 317	0
	45 567	15 836

11 Employees

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



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 24% 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 2017 amounted to NOK 59 588 (NOK 59 786 in 2016). Tonnage tax is classified as an operating expense.

	2017	Change	2016
Loss carried forward	-25 845 503	-8 884 008	-16 961 496
Basis for deferred tax (benefit)	-25 845 503	-8 884 008	-16 961 496
Deferred tax (benefit)	-5 944 466	-1 873 707	-4 070 759
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:

	2017	2016
Net financial items	-7 435 123	-6 531 482
Non-deductable currency loss	-4 871 391	-6 696 682
Interest deduction	3 422 506	4 000 361
Taxable income before loss carried forward	-8 884 008	-9 227 803
Change in loss carried forward	8 884 008	9 227 803
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

13 Inventories

Inventories refer to lube oil and stores as per 31.12.



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 22 AS, which comprise the balance sheet as at 31 December 2017, profit and loss accounts 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 2017 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) 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, 27 February 2018
ERNST & YOUNG AS

Magnus H. Birkeland

State Authorised Public Accountant (Norway)

Independent auditor's report – KNOT Shuttle Tankers 22 AS