UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALTERA SHUTTLE TANKERS L.L.C.

Interim report for the quarterly period ended December 31, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Altera Shuttle Tankers L.L.C. and its wholly-owned or controlled subsidiaries (*Altera Shuttle Tankers* or the *Company*), is an owner and operator of shuttle tankers and was formed in 2017 by Altera Infrastructure Holdings L.L.C. A shuttle tanker is a specialized ship designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries and they are an integral part of certain oil companies' value chain. Shuttle tankers are equipped with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably from oil field installations, even in harsh weather conditions. Shuttle tankers were developed in the North Sea as an alternative to pipelines.

Our customer base primarily consists of oil majors and producers and our vessels operate under long-term, fixed-rate contracts of affreightment (or *CoAs*), time-charter contracts, bareboat charter contracts and voyage charter contracts. The Company's near-to-medium term business strategy is primarily to focus on extending contracts and redeploying existing assets on long-term charters, and repaying or refinancing scheduled debt obligations. Over the long-term, the Company intends to continue its practice of primarily acquiring vessels as needed for approved projects only after the medium-to-long-term charters for the projects have been awarded, rather than ordering vessels on a speculative basis.

As at December 31, 2022, our fleet was as follows:

	Number of Vessels		
	Owned Vessels	Chartered-in Vessels	Total
Shuttle Tankers	20	1	21

Global crude oil and gas prices have recovered from the uncertainty regarding demand created by the COVID-19 pandemic and have more recently increased in connection with the invasion of Ukraine by Russia. However, as the severity of potential outbreaks of variants of the virus, as well as the duration and scope of conflict in Ukraine are still highly uncertain and cannot be predicted, the long-term impact of the pandemic and of Russia's invasion of Ukraine on our business, financial condition and operating results cannot be determined. Our business involves the ownership and operation of critical infrastructure assets in offshore oil regions and any significant decrease in demand for crude oil could adversely affect the demand for our vessels and the types of services we offer. Additionally, a continuation of the pandemic or the continuation or expansion of the conflict in Ukraine may result in reduced cash flow and financial condition, including potential liquidity constraints and potential reduced access to capital as a result of any credit tightening generally or due to declines in global financial markets. Our business model is to employ our vessels on fixed-rate contracts with oil companies, typically with terms between three and ten years, and therefore we do not expect any significant near-term impact from the pandemic or from Russia's invasion of Ukraine on our liquidity. Potential effects of the pandemic and the invasion include, among others, force majeure claims relating to existing contracts, increased counterparty risk and/or default, fewer contract extension opportunities, and in the worst case, contract terminations resulting from relevant early field abandonment programs. As at December 31, 2022, we have not experienced any material business disruptions or a direct material financial impact as a result of the pandemic or of Russia's invasion of Ukraine and we are actively pursuing additional steps to preserve liquidity and our financial flexibility. Our operational focus over the short-term is to focus on extending contracts and new opportunities for existing assets that are scheduled to come off charter over the next few years.

Significant Developments

<u>Altera Infrastructure L.P. Chapter 11 Filing</u>

On August 12, 2022, Altera Infrastructure L.P. (the *Partnership*) and certain of its affiliates and direct and indirect subsidiaries (the *Altera Chapter 11 Parties*), which excludes all entities within the unaudited interim condensed consolidated financial statements of Altera Shuttle Tankers LLC, filed prearranged voluntary petitions to commence proceedings (the *Chapter 11 Cases*) under Chapter 11 of Title 11 of the United States Code (the *Bankruptcy Code*) in the United States Bankruptcy Court for the Southern District of Texas (the *Bankruptcy Court*). On January 6, 2023, the Altera Chapter 11 Parties emerged from Chapter 11 with a strengthened balance sheet and foundation for long-term growth.

- Restructuring was successfully implemented through a pre-arranged Chapter 11 process in U.S. Bankruptcy Court;
- Restructuring significantly deleveraged the Partnership’s balance sheet by equitizing $1.1 billion in junior debt obligations, cancelled $400 million of preferred equity, and facilitated a long term, sustainable positive liquidity outlook;
- Reprofiled $550 million of secured asset-level bank debt to better align its debt service obligations with its cash flows; and
- Raised $94 million in capital through an equity rights offering, which provided additional liquidity ($10 million) and repaid certain credit facilities, including the Chapter 11 DIP financing, in full ($84 million).

Altera Shuttle Tankers LLC was not impacted nor affected by the Altera Chapter 11 Parties Chapter 11 proceedings.

<u>Sales of Vessels</u>

In October 2022, we entered into an agreement to sell the 50% owned vessel, the *Nordic Rio* for continued use for approximately $27 million (100%). The vessel operated in the conventional tanker market. The vessel was delivered to its buyer in December 2022.

<u>Fleet</u>

In February 2023, we entered an agreement with Knutsen to in-charter the *Ingrid Knutsen* for 10 months from March 1, 2023.

Contracts

In February 2023, we entered into an agreement with TotalEnergies to utilize the *Samba Spirit* on a 22-month firm time-charter contract with extension options for an additional two or four months.

Re-organization

During 2022, we re-organized the ownership structure of its shuttle tanker fleet transferring certain activities from Singapore to Norway. The transfer resulted in these operations becoming taxable in Norway.

Results of Operations

The following table presents certain of the Company's consolidated operating results for the three months and year ended December 31, 2022 and 2021:

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of U.S. dollars)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
IFRS:	$	$	$	$
Revenues	165,400	130,902	604,409	513,495
Direct operating costs	(86,408)	(63,561)	(305,529)	(245,753)
General and administrative expenses (1)	(8,366)	(9,173)	(27,562)	(30,180)
Depreciation and amortization	(38,269)	(39,044)	(158,703)	(172,716)
Interest expense	(31,491)	(21,352)	(106,749)	(81,644)
Interest income	926	4	1,585	15
Impairment expense, net	—	—	(4,960)	—
Gain (loss) on dispositions, net	11,526	(1)	11,414	3,644
Realized and unrealized gain (loss) on derivative instruments	3,773	231	(1,822)	(151)
Foreign currency exchange gain (loss)	2,607	(891)	231	(1,395)
Gain (loss) on modification of financial liabilities, net	—	(10,532)	—	(10,532)
Other income (expenses), net	835	(420)	915	(276)
Income (loss) before income tax (expense) benefit	20,533	(13,837)	13,229	(25,493)
Income tax (expense) benefit				
Current	(31)	(718)	(126)	(3,252)
Deferred	7,839	3,667	7,839	3,667
Net income (loss)	28,341	(10,888)	20,942	(25,078)
Attributable to:				
Members	21,754	(9,508)	15,357	(18,238)
Non-controlling interests in subsidiaries	6,587	(1,380)	5,585	(6,840)
	28,341	(10,888)	20,942	(25,078)
Non-IFRS:				
Adjusted EBITDA (2)	69,883	59,033	270,185	237,724

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated from corporate to the Company, based on estimated use of corporate resources).

(2) The Company is regularly reviewed by our chief operating decision maker (*CODM*) for the purpose of allocating resources and to assess their respective performance. The key measure used by the CODM in assessing performance and in making resource allocation decisions is Adjusted EBITDA, which is defined in this report under the heading "Non-IFRS Measures." Adjusted EBITDA is also used by external users of our consolidated financial statements, such as investors and our controlling unitholder.

Revenues

Revenues increased to $165 million, from $131 million, for the three months ended December 31, 2022, compared to the same period last year, primarily due to:

- an increase of $18 million due to reimbursable bunker purchases (offset in direct operating costs below);

- an increase of $12 million due to a stronger conventional tanker spot market;
- an increase of $4 million due to the *Altera Thule* being on contract from May 2022; and
- an increase of $3 million due to higher utilization in the North Sea CoA fleet during the three months ended December 31, 2022;

partially offset by

- a decrease of $3 million due to the redelivery to us and subsequent sale of the *Navion Stavanger* during 2021.

Revenues increased to $604 million, from $513 million, for the year ended December 31, 2022, compared to the same period last year, primarily due to:

- an increase of $60 million due to reimbursable bunker purchases (offset in direct operating costs below);
- an increase of $36 million due to higher rates during 2022 in the conventional tanker spot market in which our vessels occasionally operate and the *Navion Gothenburg* being in operation in 2022 (until sold August 2022), as compared to being in the yard for 11 months during 2021;
- an increase of $11 million due to the *Altera Thule* being on contract from May 2022;
- an increase of $4 million due to the *Amundsen Spirit* operating in the East Coast of Canada fleet during the first half of 2022;
- an increase of $3 million due to higher CoA revenue as the *Altera Wind* and *Altera Wave* entering the fleet in the second quarter of 2021;
- an increase of $3 million due to higher utilization in the North Sea CoA fleet;
- an increase of $2 million due to reduced off hire days during 2022; and
- an increase of $2 million due to rate escalations in the time-charter fleet;

partially offset by

- a decrease of $15 million due to the termination of the *Petrojarl Foinaven* CoA contract in May 2021;
- a decrease of $8 million due to compensation for contractual dry-docking obligations not performed by the charterer upon redelivery of the *Navion Gothenburg* in the first quarter of 2021; and
- a decrease of $8 million due to the redelivery to us of the *Navion Stavanger* during October 2021.

Direct Operating Cost

Direct operating costs increased to $86 million, from $64 million, for the three months ended December 31, 2022, compared to the same period last year, primarily due to:

- an increase of $18 million due to reimbursable bunker purchases during the three months ended December 31, 2022 (offset in revenue above);
- an increase of $3 million due to certain yard claims expensed during the three months ended December 31, 2022; and
- an increase of $1 million due to the *Altera Thule* entering the fleet in May 2022;

partially offset by

- a decrease of $1 million due to the sale of the *Petronordic* in September 2022.

Direct operating costs increased to $306 million, from $246 million, for the year ended December 31, 2022, compared to the same period last year, primarily due to:

- an increase of $60 million due to reimbursable bunker purchases (offset in revenue above);
- an increase of $8 million due to the *Navion Gothenburg* being in operation in the conventional tanker market in 2022 (until sold in August 2022), as compared to being in the yard for 11 months during 2021;
- an increase of $3 million due to certain yard claims expensed during the year ended 2022;
- an increase of $2 million due to the *Altera Thule* entering the fleet in May 2022; and
- an increase of $2 million due to more vessel in-chartered days during the year ended 2022;

partially offset by

- a decrease of $5 million due to the redelivery to us of the *Navion Gothenburg* in the first quarter of 2021;
- a decrease of $5 million due to various other operating expenditures including favorable foreign exchange fluctuations during the year ended December 31, 2022;
- a decrease of $4 million due to the *Stena Natalita, Navion Oslo, Navion Anglia* and *Navion Oceania* leaving the fleet during the year ended December 31, 2021; and
- a decrease of $1 million due to the sale of the *Petronordic* in September 2022.

General and Administrative Expenses

General and administrative expenses were $8 million and $28 million for the three months and year ended December 31, 2022, compared to $9 million and $30 million, for the same periods last year, which is generally consistent.

Depreciation and Amortization

Depreciation and amortization expense was $38 million for the three months ended from December 31, 2022, compared to $39 million, for the same period last year, which is generally consistent.

Depreciation and amortization expense was $159 million for the year ended December 31, 2022, compared to $173 million, for the same period last year, primarily due to the sale of the *Navion Stavanger* in the fourth quarter of 2021 and the sale of the *Petronordic* during the third quarter of 2022; partially offset by the delivery of the *Altera Thule* in the second quarter of 2022.

Interest Expense

Interest expense was $31 million and $107 million for the three months and year ended December 31, 2022, compared to $21 million and $82 million, for the same periods last year, primarily due to increased interest rates on our outstanding borrowings.

Impairment Expense, Net

Impairment expense, net was $nil and $5 million for the three months and year ended December 31, 2022, compared to $nil and $nil for the same periods last year, due to an impairment of the *Petronordic* in the second quarter of 2022 due to the expected sale of the vessel.

Gain (Loss) on Dispositions, Net

Gain (loss) on dispositions, net was $12 million and $11 million for the three months and year ended December 31, 2022, compared to $nil and $4 million for the same periods last year, primarily due to recognized gains on dispositions of $12 million relating to the sale of *Nordic Rio* during the three months and year ended December 31, 2022, compared to $1 million relating to the *Navion Anglia* and $3 million relating to the *Navion Oceania,* sold during the three months and year ended December 31, 2021.

Realized and Unrealized Gain (Loss) on Derivative Instruments

Net realized and unrealized gain (loss) on derivative instruments was $4 million for the three months ended December 31, 2022, compared to $nil for the same period last year, mainly due to unrealized gains on foreign currency forward contracts as a result of favorable forward spreads.

Net realized and unrealized gain (loss) on derivative instruments was $(2) million for the year ended December 31, 2022, compared to $nil for the same period last year, mainly due to realized losses on foreign exchange forward contracts used to hedge portions of our forecasted expenditures in Norwegian Krone (or *NOK*).

Foreign Exchange Gain (Loss)

Foreign currency exchange gain (loss) was $3 million and $nil for the three months and year ended December 31, 2022, compared to a loss of $(1) million and $(1) million for the same periods last year. Our foreign currency exchange gain (loss) is due primarily to the relevant period-end revaluations of NOK-denominated monetary assets and liabilities for financial reporting purposes. Gains on NOK-denominated net monetary liabilities reflect a stronger U.S. Dollar against the NOK on the date of revaluation or settlement compared to the rate in effect at the beginning of the period. Losses on NOK-denominated net monetary liabilities reflect a weaker U.S. Dollar against the NOK on the date of revaluation or settlement compared to the rate in effect at the beginning of the period.

Gain (loss) on modification of financial liabilities, Net

Gain (loss) on modification of financial liabilities, net was $nil and $nil for the three months and year ended December 31, 2022, compared to $(11) million and $(11) million for the same periods last year, primarily due to the refinancing activities related to the $180 million unsecured bonds issued in December 2021 including the above par repurchase of $181.2 million of the Company's pre-existing 7.125% senior unsecured $250.0 million bonds maturing in August 2022.

Income Tax (Expense) Benefit

Income tax (expense) benefit was $8 million and $8 million for the three months and year ended December 31, 2022, compared to $3 million and $nil for the same periods last year, primarily due to a re-assessment of deferred tax assets during the fourth quarter of 2022 following the re-organization which resulted in the movement of certain fleet activities to Norway.

Adjusted EBITDA

Adjusted EBITDA increased to $70 million, for the three months ended December 31, 2022, compared to $59 million, for the same period last year, primarily due to:

- an increase of $12 million due to a stronger conventional tanker spot market;
- an increase of $3 million due to increased CoA utilization; and
- an increase of $3 million due to the *Altera Thule* being on contract from May 2022;

partially offset by

- a decrease of $3 million due to certain yard claims expensed during the three months ended December 31, 2022; and
- a decrease of $3 million due to the redelivery of the *Navion Stavanger* in the fourth quarter of 2021.

Adjusted EBITDA increased to $270 million, for the year ended December 31, 2022, compared to $238 million, for the same period last year, primarily due to:

- an increase of $28 million due to a stronger conventional tanker spot market;
- an increase of $10 million due to certain vessels leaving the fleet;
- an increase of $9 million due to the *Altera Thule* commencing operations in May 2022;
- an increase of $5 million due to a decrease in direct operating costs due to various other operating expenditures including favorable foreign exchange fluctuations;
- an increase of $4 million due to the *Amundsen Spirit* operating in the East Coast of Canada fleet in the first half of 2022;
- an increase of $3 million due to higher utilization in the CoA fleet; and
- an increase of $3 million due to a decrease in general and administrative expenses during 2022.

partially offset by

- a decrease of $15 million due to the termination of the *Petrojarl Foinaven* CoA contract in May 2021;
- a decrease of $8 million due to the absence of one-time compensation received from the client on the redelivery of the *Navion Gothenburg* in 2021; and
- a decrease of $8 million due to the redelivery to us of the *Navion Stavanger* during October 2021.

Adjusted EBITDA is a non-IFRS financial measure. Please refer to "Non-IFRS Financial Measures" below for definitions of this measure and for the reconciliations of this measure with the most directly comparable financial measure calculated and presented in accordance with IFRS.

Non-IFRS Financial Measures

To supplement the unaudited interim condensed consolidated financial statements, we use Adjusted EBITDA, which is a non-IFRS financial measure, as a measure of our performance. Adjusted EBITDA represents net income (loss) before interest expense, interest income, income tax (expense) benefit, and depreciation and amortization, and is adjusted to exclude certain items whose timing or amount cannot be reasonably estimated in advance or that are not considered representative of core operating performance. Such adjustments include impairment expenses, gain (loss) on dispositions, net, unrealized gain (loss) on derivative instruments, foreign currency exchange gain (loss) and certain other income or expenses. Adjusted EBITDA also excludes: realized gain or loss on interest rate swaps (as we, in assessing our performance, view these gains or losses as an element of interest expense); realized gain or loss on derivative instruments resulting from amendments or terminations of the underlying instruments; realized gain or loss on foreign currency forward contracts and other income (expense), net. Adjusted EBITDA excludes the non-controlling interests' proportionate share of Adjusted EBITDA.

Adjusted EBITDA is intended to provide additional information and should not be considered as the sole measures of our performance or as a substitute for net income (loss) or other measures of performance prepared in accordance with IFRS. In addition, this measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. This non-IFRS measure is used by our management, and we believe that this supplementary metric assists investors and other users of our financial reports in comparing our financial and operating performance across reporting periods and with other companies.

The following table reconciles Adjusted EBITDA to net income (loss) for the three months and year ended December 31, 2022 and 2021:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2022**	**2021**
(in thousands of U.S. Dollars)	**$**	**$**	$	$
Net income (loss)	28,341	(10,888)	20,942	(25,078)
Less:				
Depreciation and amortization	(38,269)	(39,044)	(158,703)	(172,716)
Interest expense	(31,491)	(21,352)	(106,749)	(81,644)
Interest income	926	4	1,585	15
Income tax (expense) benefit:				
Current	(31)	(718)	(126)	(3,252)
Deferred	7,839	3,667	7,839	3,667
	89,367	46,555	277,096	228,852
Less:				
Impairment expense, net	—	—	(4,960)	—
Gain (loss) on dispositions, net	11,526	(1)	11,414	3,644
Realized and unrealized gain (loss) on derivative instruments	3,773	231	(1,822)	(151)
Foreign currency exchange gain (loss)	2,607	(891)	231	(1,395)
Gain (loss) on modification of financial liabilities, net	—	(10,532)	—	(10,532)
Other income (expenses), net	835	(420)	915	(276)
Adjusted EBITDA attributable to non-controlling interests(1)	743	(865)	1,133	(162)
Adjusted EBITDA	69,883	59,033	270,185	237,724

(1) Adjusted EBITDA attributable to non-controlling interests, which is a non-IFRS financial measure and should not be considered as an alternative to net income (loss) attributable to non-controlling interests in subsidiaries or any other measure of financial performance presented in accordance with IFRS, represents the non-controlling interests' proportionate share of Adjusted EBITDA (as defined above) from our consolidated joint ventures. This measure does not have a standardized meaning, and may not be comparable to similar measures presented by other companies. Adjusted EBITDA attributable to non-controlling interests is summarized in the table below:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	**2021**	**2022**	**2021**
(in thousands of U.S. Dollars)	**$**	**$**	$	$
Net income (loss) attributable to non-controlling interests in subsidiaries	6,587	(1,380)	5,585	(6,840)
Less:				
Depreciation and amortization	—	(497)	(1,596)	(6,163)
Interest expense, net of interest income	32	—	65	(368)
Other income / expense (1)	5,803	—	6,037	(150)
EBITDA	752	(883)	1,079	(159)
Less:				
Foreign currency exchange gain (loss)	9	(18)	(54)	3
Adjusted EBITDA attributable to non-controlling interests	743	(865)	1,133	(162)

(1) Other income / expense for the three months and year ended December 31, 2022, is primarily due to the 50% share of the gain on sale of the *Nordic Rio* attributed to non-controlling interests in subsidiaries.

Liquidity and Capital Resources

Liquidity is managed primarily through cash flows from operations, use of credit facilities and refinancing existing debt. We aim to maintain sufficient financial liquidity to meet our ongoing operating requirements.

The following table presents our liquidity as at December 31, 2022 and December 31, 2021:

(in thousands of U.S. Dollars)	December 31, 2022 $	December 31, 2021 $
Cash and cash equivalents	128,900	124,257
Total liquidity [(1)]	128,900	124,257
Working capital surplus (deficit)	(139,040)	(26,647)

(1) Defined as cash, cash equivalents and undrawn revolving credit facilities

The increase in the working capital deficit was primarily due to a $150 million increase in scheduled maturities and repayments of outstanding borrowings during the 12 months ending December 31, 2023, which were classified as current liabilities as at December 31, 2022 and a $3 million net decrease in due from related parties, partially offset by a $17 million decrease in accounts payable, a $6 million increase in inventory, a $8 million increase in financial assets, and a $5 million increase in Cash and cash equivalents. The working capital deficit includes $173.3 million in current borrowings related to certain tranches of our East Coast of Canada term loans classified as current. In February 2023, we agreed in principle with lenders to refinance the existing East Coast of Canada term loans, subject to customary documentation.

Our primary short-term liquidity needs for the next twelve months, are to repay or refinance scheduled debt obligations, to pay debt service costs, to pay operating expenses and dry-docking expenditures, to fund general working capital requirements, to settle potential claims against us and to manage our working capital deficit. Our long-term liquidity needs are to repay or refinance scheduled debt obligations and pursue additional growth projects.

As at December 31, 2022, our interest-bearing obligations include bonds, commercial bank debt, an unsecured PIK note provided by Brookfield and obligations related to leases. The contractual payments relating to these obligations for the next twelve months are $326 million, and $1.4 billion thereafter. Refer to Financial Statements: Note 10 - Borrowings, Note 11 - Related Party Transactions and Note 9 - Other Financial Liabilities for terms upon which future interest payments are determined.

As at December 31, 2022, our other financial liabilities include foreign currency forward contracts only as our interest rate swaps have all been terminated. The contractual payments relating to these obligations for the next twelve months are $39 million, and $nil thereafter. Refer to Financial Statements: Note 9 - Other Financial Liabilities for a summary of the terms of our derivative instruments.

Our estimated dry dock expenditures for the next twelve months are $39 million, primarily related to our Samba class 10-year dry-dockings and final East Cost of Canada vessel's 5-year dry-docking, and $232 million thereafter.

As at December 31, 2022, we had total borrowings outstanding of $1.4 billion compared to $1.5 billion as at December 31, 2021. The borrowings consisted of the following:

(in thousands of U.S. Dollars)	December 31, 2022 $	December 31, 2021 $
U.S. Dollar Revolving Credit Facilities	244,201	301,387
U.S. Dollar Term Loans	696,473	671,832
U.S. Dollar Bonds	380,000	449,342
U.S. Dollar Non-Public Bonds	68,623	77,286
Total principal	1,389,297	1,499,847

The table below outlines our consolidated net debt to total capitalization as at December 31, 2022 and December 31, 2021:

(in thousands of U.S. Dollars)	December 31, 2022 $	December 31, 2021 $
Borrowings	1,374,613	1,477,772
Obligations relating to leases	188,086	199,107
Less:		
Cash and cash equivalents	128,900	124,257
Net debt	1,433,799	1,552,622
Total equity	439,187	420,837
Total capitalization [(1)]	2,001,886	2,097,716
Net debt to total capitalization ratio [(2)]	71.6 %	74.0 %

(1) Total capitalization is calculated as the sum of borrowings, obligations relating to leases and total equity.

(2) Defined as net debt divided by total capitalization. The metric is relevant to certain covenants for the Company.

Cash Flows

The following table summarizes the Company's sources and uses of cash for the periods presented:

	Year Ended December 31,	
	2022	2021
(in thousands of U.S. Dollars)	$	$
Net operating cash flow	177,309	159,099
Net financing cash flow	(135,400)	(115,698)
Net investing cash flow	(35,166)	(89,569)

Operating Cash Flows

Net cash flow from operating activities increased to a cash inflow of $177 million for the year ended December 31, 2022, compared to an inflow of $159 million for the same period last year, primarily due to an increase in revenue, partially offset by increases in direct operating cost and interest expenses in the current period. Refer to "Consolidated Results of Operations" above.

Financing Cash Flows

Net financing cash flow during the year ended December 31, 2022, was $(135) million, compared to $(116) million last year, including the following items:

Our proceeds from borrowings, net of financing costs, were $63 million for the year ended December 31, 2022 due to the drawdown of the *Altera Thule* facility, and $201 million for the same period last year.

We actively manage the maturity profile of our outstanding financing arrangements. Our scheduled repayments of our borrowings were $174 million for the year ended December 31, 2022, compared to $330 million for the same period last year. The decrease in repayments and prepayments is mainly due to the $181 million repurchase of our $250 million unsecured bond due in August 2022, in December 2021, as compared to the $69 million repayment of the same bond in 2022.

Our proceeds from borrowings, net of financing costs and scheduled repayments, related to the sale and leaseback of vessels, were $(11) million and $59 million for the year ended December 31, 2022 and 2021, respectively. The gross proceeds received during the year ended December 31, 2021 were used to fund yard installment payments on the *Altera Wave* and *Altera Wind* newbuildings.

Lease payments on our vessel in-charter leases and office leases were $11 million and $11 million for the year ended December 31, 2022 and 2021, respectively.

During the year ended December 31, 2021, we entered into an unsecured credit facility with Brookfield. As of December 31, 2021, the revolving credit facility provided for total borrowings of up to $70 million.

Increased equity through capital provided by sole member Altera Infrastructure Holdings L.L.C. were $15 million and $11 million for the year ended December 31, 2022 and 2021, respectively.

Capital contributions by non-controlling interests were $5 million and $18 million for the year ended December 31, 2022 and 2021, respectively.

Cash distributions paid to the sole member Altera Infrastructure Holdings L.L.C. were $nil and $125 million for the year ended December 31, 2022 and 2021, respectively.

Cash distributions paid to non-controlling interests were $22 million and $9 million for the year ended December 31, 2022 and 2021, respectively.

Investing Cash Flows

During the year ended December 31, 2022, net cash flow used for investing activities was $35 million, primarily related to $88 million for additions to vessels and equipment, including installment payments for the delivery of the *Altera Thule* newbuilding, partially offset by $60 million, net proceeds from the sales of the *Nordic Rio, Navion Gothenburg* and *Petronordic* and a $8 million increase in restricted cash.

During the year ended December 31, 2021, net cash flow used for investing activities was $90 million, primarily related to $201 million for additions to vessels and equipment, including installment payments for the delivery of the *Altera Wave* and *Altera Wind* newbuildings, partially offset by a $74 million decrease in restricted cash and $38 million proceeds related to the sale of certain vessels.

Critical Accounting Estimates

The preparation of financial statements requires us to make critical judgments, estimates and assumptions in the application of the Company's accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The Company's management reviews its accounting policies, critical judgments, estimates and assumptions on a regular basis. However, because future events and their effects cannot be determined with certainty, actual results could differ from the Company's assumptions and estimates and such differences could be material. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For further information on the Company's material accounting policies, critical accounting judgments and estimates see Note 2v - Critical accounting judgments and key sources of estimation uncertainty in our Annual Report for the year ended December 31, 2021.

Board of Director's Responsibility Statement

We confirm, to the best of our knowledge, that the unaudited interim condensed consolidated financial statements for the three months and year ended December 31, 2022, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and give a true and fair view of the Company's consolidated assets, liabilities, financial position and results and that the MD&A includes a fair review of the development and performance and the position of the Company during the three months and year ended December 31, 2022, together with a description of the principal risks and uncertainties that it faces under Norwegian Securities Trading Act sections 5-6 fourth paragraph and contains relevant information on major related party transactions.

ALTERA SHUTTLE TANKERS L.L.C.

Date: February 28, 2023

By: Altera Shuttle Tankers L.L.C. - the Group

By:

Giles Mark Mitchell
President and Director

William James Duthie
Director and Secretary

ALTERA SHUTTLE TANKERS L.L.C.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	Notes	As at December 31, 2022 $	As at December 31, 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	3	128,900	124,257
Financial assets	4	10,686	2,312
Accounts and other receivable, net		39,544	38,617
Inventory		19,084	12,902
Due from related parties	11	22,999	20,523
Other assets		23,138	21,718
Total current assets		244,351	220,329
Non-current assets			
Vessels and equipment	6	1,706,616	1,764,026
Advances on newbuilding contracts	7	—	51,918
Deferred tax assets	15	15,624	8,660
Other assets		46,203	68,239
Goodwill		127,113	127,113
Total non-current assets		1,895,556	2,019,956
Total assets		2,139,907	2,240,285
LIABILITIES			
Current liabilities			
Accounts payable and other	8	48,235	65,052
Other financial liabilities	9	11,366	12,939
Borrowings	10	314,032	164,313
Due to related parties	11	9,758	4,672
Total current liabilities		383,391	246,976
Non-current liabilities			
Accounts payable and other	8	113	507
Other financial liabilities	9	177,041	188,117
Borrowings	10	1,060,581	1,313,459
Due to related parties	11	79,594	70,389
Total non-current liabilities		1,317,329	1,572,472
Total liabilities		1,700,720	1,819,448
EQUITY			
Paid-in capital		526,459	511,459
Retained earnings		(96,112)	(111,469)
Accumulated other comprehensive income (loss)		670	1,202
Member's equity		431,017	401,192
Non-controlling interests in subsidiaries		8,170	19,645
Total equity		439,187	420,837
Total liabilities and total equity		2,139,907	2,240,285

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars)

		Three Months Ended December 31,		Year Ended December 31,	
		2022	2021	2022	2021
	Notes	$	$	$	$
Revenues	12	165,400	130,902	604,409	513,495
Direct operating costs	13	(86,408)	(63,561)	(305,529)	(245,753)
General and administrative expenses	11	(8,366)	(9,173)	(27,562)	(30,180)
Depreciation and amortization	6	(38,269)	(39,044)	(158,703)	(172,716)
Interest expense	10, 11	(31,491)	(21,352)	(106,749)	(81,644)
Interest income		926	4	1,585	15
Impairment expense, net	6	—	—	(4,960)	—
Gain (loss) on dispositions, net	5	11,526	(1)	11,414	3,644
Realized and unrealized gain (loss) on derivative instruments	9	3,773	231	(1,822)	(151)
Foreign currency exchange gain (loss)		2,607	(891)	231	(1,395)
Gain (loss) on modification of financial liabilities, net	14	—	(10,532)	—	(10,532)
Other income (expenses), net		835	(420)	915	(276)
Income (loss) before income tax (expense) benefit		20,533	(13,837)	13,229	(25,493)
Income tax (expense) benefit					
Current	15	(31)	(718)	(126)	(3,252)
Deferred	15	7,839	3,667	7,839	3,667
Net income (loss)		28,341	(10,888)	20,942	(25,078)
Attributable to:					
Members		21,754	(9,508)	15,357	(18,238)
Non-controlling interests in subsidiaries		6,587	(1,380)	5,585	(6,840)
		28,341	(10,888)	20,942	(25,078)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of U.S. dollars)

		Three Months Ended December 31,		Year Ended December 31,	
		2022	2021	2022	2021
	Notes	$	$	$	$
Net income (loss)		28,341	(10,888)	20,942	(25,078)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
To interest expense:					
Realized gain on qualifying cash flow hedging instruments	9	—	(181)	(532)	(750)
Total other comprehensive income (loss)		—	(181)	(532)	(750)
Comprehensive income (loss)		28,341	(11,069)	20,410	(25,828)
Attributable to:					
Members		21,754	(9,689)	14,825	(18,988)
Non-controlling interests in subsidiaries		6,587	(1,380)	5,585	(6,840)
		28,341	(11,069)	20,410	(25,828)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	$	$	$	$	$
Balance as at January 1, 2022	511,459	(111,469)	1,202	19,645	420,837
Net income (loss)	—	15,357	—	5,585	20,942
Other comprehensive income (loss)	—	—	(532)	—	(532)
Distributions declared:					
Distribution to non-controlling interests	—	—	—	(22,360)	(22,360)
Contributions received:					
Contribution of capital from Altera Infrastructure Holdings L.L.C.	15,000	—	—	—	15,000
Contribution from non-controlling interests	—	—	—	5,300	5,300
Balance as at December 31, 2022	526,459	(96,112)	670	8,170	439,187

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance as at January 1, 2021	499,880	31,769	1,952	17,647	551,248
Net income (loss)	—	(18,238)	—	(6,840)	(25,078)
Other comprehensive income (loss)	—	—	(750)	—	(750)
Distributions declared:					
Distribution to Altera Infrastructure Holdings L.L.C.	—	(125,000)			(125,000)
Distribution to non-controlling interests	—	—	—	(9,112)	(9,112)
Contributions received:					
Contribution of capital from Altera Infrastructure Holdings L.L.C.	11,000	—	—	—	11,000
Contribution of capital from Brookfield	579	—	—	—	579
Contributions from non-controlling interests	—	—	—	17,950	17,950
Balance as at December 31, 2021	511,459	(111,469)	1,202	19,645	420,837

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2022 $	2021 $
OPERATING ACTIVITIES			
Net income		20,942	(25,078)
Adjusted for the following items:			
Depreciation and amortization	6	158,703	172,716
Impairment expense, net	6	4,960	—
(Gain) loss on dispositions, net	5	(11,414)	(3,644)
Unrealized (gain) loss on derivative instruments	9	(2,228)	3,450
Deferred income tax expense (benefit)	15	(7,839)	(3,667)
Provisions and other items	8	—	(5,644)
Other non-cash items		5,056	7,051
Changes in non-cash working capital, net		9,129	13,915
Net operating cash flow		177,309	159,099
FINANCING ACTIVITIES			
Proceeds from borrowings	10	63,195	201,119
Repayments of borrowings	10	(173,890)	(329,863)
Proceeds from borrowings related to sale and leaseback of vessels	9	—	71,400
Repayments of borrowings related to sale and leaseback of vessels	9	(11,272)	(11,335)
Financing costs related to borrowings from sale and leaseback of vessels	9	—	(584)
Lease liability repayments		(11,373)	(11,273)
Proceeds from borrowings from related parties		—	70,000
Capital provided by member		15,000	11,000
Capital contribution by non-controlling interests		5,300	17,950
Distributions to member		—	(125,000)
Distribution to non-controlling interests		(22,360)	(9,112)
Net financing cash flow		(135,400)	(115,698)
INVESTING ACTIVITIES			
Additions:			
Vessels and equipment	6, 7	(87,540)	(201,386)
Dispositions:			
Vessels and equipment	5	59,939	38,035
Change in restricted cash	3, 4	(7,773)	73,782
Acquisition of company (net of cash acquired of $0.2 million)		208	—
Net investing cash flow		(35,166)	(89,569)
Cash and cash equivalents			
Change during the period		6,743	(46,168)
Impact of foreign exchange on cash		(2,100)	978
Balance, beginning of the period		124,257	169,447
Balance, end of the period		128,900	124,257

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

1. Nature and Description of the Company

Altera Shuttle Tankers L.L.C. and its wholly-owned or controlled subsidiaries (*Altera Shuttle Tankers* or the *Company*), a wholly-owned subsidiary of Altera Infrastructure Partners L.P. (*Altera Infrastructure* or the *Partnership*) is an international midstream services provider of marine transportation to the offshore oil industry, focused on the ownership and operation of shuttle tankers in the North Sea, Brazil and the East Coast of Canada and expanding its operations in the shuttle tanker business.

The Company was formed in July 2017, under the laws of the Republic of the Marshall Islands, by Altera Infrastructure Holdings L.L.C., a 100% owned subsidiary of Altera Infrastructure. The registered head office of the Company is Altera House, Unit 3, Prospect Park, Arnhall Business Park, Westhill, Aberdeenshire, AB32 6FJ, United Kingdom.

Altera Infrastructure is a subsidiary of Brookfield Business Partners L.P. (NYSE: BBU) (TSX: BBU.UN) (or with its affiliates, *Brookfield*), while Brookfield Asset Management Inc. (NYSE: BAM) (TSX: BAM.A), an entity incorporated in Ontario, Canada, is the ultimate parent of the Company.

2. Significant Accounting Policies

a. Basis of presentation

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (or *IAS 34*), as issued by the International Accounting Standards Board (or *IASB*). These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2021, which are included in the Company's Annual Report for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements have been prepared under the assumption that the Company operates on a going concern basis and have been presented in U.S. dollars rounded to the nearest thousand unless otherwise indicated.

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements as at and for the year ended December 31, 2021, except for the adoption of new standards and changes in the Company's accounting policies effective as of January 1, 2022, as described below in Note 2c. There have been no significant changes to the method of determining significant estimates and judgments since December 31, 2021.

These unaudited interim condensed consolidated financial statements were approved by the board and authorized for issue on February 28, 2023.

b. Going Concern

As at December 31, 2022, the Company had a working capital deficit of $139.0 million. The Company's working capital deficit increased from $26.6 million as at December 31, 2021, primarily due to a $149.7 million increase in scheduled maturities and repayments of outstanding borrowings during the 12 months ending December 31, 2023, which were classified as current as at December 31, 2022.

Based on these factors, the Company will need to obtain additional sources of financing and/or refinancing, in addition to amounts generated from operations, to meet its obligations and commitments and the minimum liquidity requirements under its financial covenants. The Company's minimum liquidity requirements under its financial covenants include but are not limited to maintaining a minimum liquidity in an amount equal to the greater of $35 million and 5% of total debt and a net debt to total capitalization ratio of no greater than 75%.

During 2022, the Company's sole member, Altera Infrastructure Holdings L.L.C, injected $15 million of equity and the Company completed the sale of certain vessels in order to enhance its liquidity and financial flexibility. The working capital deficit as at December 31, 2022, includes $173.3 million in current borrowings related to certain tranches of the Company's East Coast of Canada term loans classified as current. These term loans are secured by four vessels on contract until 2030. In February 2023, the Company agreed in principle with lenders to refinance the existing East Coast of Canada term loans, subject to customary documentation.

The Company is actively pursuing the financing initiative described above, which it considers probable of completion based on the Company’s history of being able to raise and refinance borrowings for similar types of vessels and based on the Company's assessment of current conditions and estimated future conditions. Additional potential sources of amounts generated from operations include the extensions and new opportunities for existing assets, higher utilization of the operating fleet, increased rates, and working capital optimizations.

Based on the Company’s liquidity at the date of these unaudited interim condensed consolidated financial statements, the liquidity it expects to generate from operations over the following year, and by incorporating the Company's plans to increase its liquidity that it considers probable of completion, the Company expects that it will have sufficient liquidity to enable the Company to continue as a going concern for at least the one-year period to December 31, 2023.

c. New standards, interpretations, amendments and policies adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

i. Estimation uncertainty

Taxes

The future realization of deferred tax assets depends on the existence of sufficient taxable income to utilize tax losses. This analysis requires, among other things, the use of estimates and projections in determining future reversals of temporary differences, forecasts of future profitability and evaluating potential tax-planning strategies.

COVID-19

The Company has not identified any new significant developments related to the COVID-19 pandemic which would impact key critical judgments, estimates and assumptions that affect the reported and contingent amount of assets, liabilities, revenues and expenses, including whether any additional indicators of impairment were present for the three months and year ended December 31, 2022. The Company will continue to monitor the COVID-19 situation and review its critical estimates and judgements as circumstances evolve.

Climate Change

The Company could be affected by an accelerated energy transition driven by climate change. The Company's strategy, capital allocation and selection of projects are guided by the vision to lead the industry to a sustainable future, and climate-related risks are key drivers for this transition. The effect of these risks on the Company's compliance costs, capital expenditures, cash flow from operations and other assumptions are inherently uncertain and may differ from actual amounts. The Company did not experience any direct impact from an accelerated energy transition driven by climate change on its financial results as at December 31, 2022. The risks will, however, remain key considerations for impairment testing, estimation of remaining useful lives of assets in the Company's fleet and provisions for future periods.

The Invasion of Ukraine by Russia

Following Russia's invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia. While it is difficult to anticipate the potential for any indirect impact the sanctions announced to date may have on the Company's business and the Company, any further sanctions imposed or actions taken by the U.S., EU nations or other countries, and any retaliatory measures by Russia in response, including restrictions on oil shipments from Russia, could lead to increased volatility in global oil demand, which could have a material adverse impact on the Company's business, results of operations and financial condition. The Company has no operations or contracts with counterparties in Ukraine, Belarus or Russia and did not experience any material impact from the invasion on its financial results as at December 31, 2022. The Company intends to continue to monitor the situation and review its critical estimates and judgments as circumstances evolve.

(all tabular amounts stated in thousands of U.S. Dollars)

3. Fair Value of Financial Instruments

The following tables provide the details of financial instruments and their associated classifications as at December 31, 2022 and December 31, 2021:

	December 31, 2022			December 31, 2021		
Measurement Basis	**FVTPL $**	**Amortized cost $**	**Total $**	**FVTPL $**	**Amortized cost $**	**Total $**
Financial assets						
Cash and cash equivalents	—	128,900	128,900	—	124,257	124,257
Financial assets (current and non-current)	875	9,811	10,686	274	2,038	2,312
Accounts and other receivable, net (current and non-current) (1)	—	39,373	39,373	—	38,193	38,193
Due from related parties (current and non-current)	—	22,999	22,999	—	20,523	20,523
Other assets (current and non-current) (2)	—	43,996	43,996	—	53,158	53,158
Total	875	245,079	245,954	274	238,169	238,443
Financial liabilities						
Accounts payable and other (3)	—	4,015	4,015	—	19,396	19,396
Other financial liabilities (current and non-current) (4)	321	188,086	188,407	1,949	199,107	201,056
Due to related parties (current and non-current)	—	89,352	89,352	—	75,061	75,061
Borrowings (current and non-current)	—	1,374,613	1,374,613	—	1,477,772	1,477,772
Total	321	1,656,066	1,656,387	1,949	1,771,336	1,773,285

(1) Excludes sales tax receivable of $0.2 million as at December 31, 2022 (December 31, 2021 - $0.4 million).

(2) Includes investments in finance leases.

(3) Includes accounts payable and lease liabilities. Refer to Note 8 below.

(4) Includes derivative instruments, obligations relating to leases and other financial liabilities. Refer to Note 9 below.

Included in cash and cash equivalents as at December 31, 2022 is $128.9 million of cash (December 31, 2021 - $124.3 million) and $nil of cash equivalents December 31, 2021 - $nil).

The fair value of all financial assets and liabilities as at December 31, 2022 approximated their carrying values, with the exception of the borrowings, where fair value which was determined using Level 1 and Level 2 inputs resulted in a fair value of $1.3 billion (December 31, 2021: $1.5 billion) versus a carrying value of $1.4 billion (December 31, 2021: $1.5 billion). The fair value of the Company's fixed-rate and variable-rate long-term debt is either based on quoted market prices or estimated using discounted cash flow analysis based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

Fair value hierarchical levels - financial instruments

There were no transfers between levels during the three months and year ended December 31, 2022, nor during the year ended December 31, 2021. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three months and year ended December 31, 2022. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at fair value through profit or loss on a recurring basis as at December 31, 2022 and December 31, 2021:

	December 31, 2022			December 31, 2021		
	Level 1 $	**Level 2 $**	**Level 3 $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets						
Derivative instruments	—	875	—	—	274	—
Total	—	875	—	—	274	—
Financial liabilities						
Derivative instruments	—	321	—	—	1,949	—
Total	—	321	—	—	1,949	—

(all tabular amounts stated in thousands of U.S. Dollars)

4. Financial Assets

	December 31, 2022 $	December 31, 2021 $
Current		
Restricted cash [1]	9,811	2,038
Derivative instruments [2]	875	274
Total current	10,686	2,312

(1) Restricted cash as at December 31, 2022 consists of a guarantee for certain operating expenses and withholding taxes (December 31, 2021 - includes funds for a loan facility repayment and withholding taxes).

(2) See Note 9 for additional information.

5. Gain on Dispositions, Net

Period	Vessel	Net Proceeds	Gain (Loss) on
Q4-22	*Nordic Rio*	27,309	11,680
Q4-22 [1]	*Navion Gothenburg*	—	(154)
Gain (loss) on dispositions, net for the three months ended December 31, 2022			11,526
Q3-22	*Navion Gothenburg*	25,638	(120)
Q3-22	*Petronordic*	6,992	8
Gain (loss) on dispositions, net for the year ended December 31, 2022			11,414
Q4-21	*Navion Stavanger*	9,915	(1)
Gain (loss) on dispositions, net for the three months ended December 31, 2021			(1)
Q3-21	*Navion Anglia*	6,144	1,397
Q2-21	*Navion Oceania*	10,618	2,576
Q2-21	*Navion Oslo*	3,160	(29)
Q2-21	*Stena Natalita*	8,198	(299)
Gain (loss) on dispositions, net for the year ended December 31, 2021			3,644

(1) The *Navion Gothenburg* was sold during the third quarter of 2022 and a loss of $0.1 million was recorded as at September 30, 2022. An additional loss of $0.2 million was recorded in December 2022 after a correction of the gain (loss) on sale calculation.

6. Vessels and Equipment

	December 31, 2022 $	December 31, 2021 $
Gross carrying amount:		
Opening balance at beginning of year	2,186,433	1,993,761
Additions [1]	17,626	24,787
Dispositions [2]	—	(48,916)
Transferred from advances on newbuilding contracts	123,669	253,301
Vessels and equipment reclassified as held for sale	(136,159)	(36,500)
Closing balance at end of period	2,191,569	2,186,433
Accumulated Depreciation and Impairment:		
Opening balance at beginning of year	(422,407)	(321,028)
Depreciation and amortization [3]	(146,777)	(161,895)
Impairment expense, net [4]	(4,960)	—
Dispositions [2]	—	33,916
Transferred to deferred mobilization costs	(840)	—
Vessels and equipment reclassified as held for sale	90,031	26,600
Closing balance at end of period	(484,953)	(422,407)
Net book value	1,706,616	1,764,026

(all tabular amounts stated in thousands of U.S. Dollars)

(1) Additions include dry docks, overhauls and capital modifications.

(2) Includes the sale of vessels and the disposal upon the replacement of certain components of vessels and equipment.

(3) Excludes depreciation and amortization on the Company's right-of-use assets, office equipment and software.

(4) See below for additional information.

Impairment expense, net

Period	Vessel	Event	Fair Value Hierarchical Level	Valuation Techniques and Key Inputs	Impairment Expense $
Q2 2022 (1)	*Petronordic*	Sale of the vessel considered highly probable	Level 2	Fair value less cost to sell using an appraised valuation	4,960
Impairment expense, net for the year ended December 31, 2022					4,960

(1) Vessels and equipment were sold during the year ended December 31, 2022. See Note 5 for additional information.

(2) For the three months and year ended December 31, 2021 impairment expense, net was $nil and $nil, respectively.

The fair value of vessels and equipment, classified as such, measured on a non-recurring basis was $nil and $nil as at December 31, 2022 and December 31, 2021, respectively.

7. Advances on Newbuilding Contracts

	December 31, 2022 $	December 31, 2021 $
Opening balance at beginning of year	51,918	127,335
Additions	71,001	176,964
Capitalized borrowing costs	750	920
Transferred to vessels and equipment	(123,669)	(253,301)
Closing balance at end of period	—	51,918

As at December 31, 2022, the Company has no commitments relating to newbuilding contracts, as the seventh and final shuttle tanker in its newbuilding program, the *Altera Thule,* was delivered in March 2022 with total gross payments made towards this vessel for an aggregate purchase price of $123.7 million. The Company secured $105.4 million of borrowings relating to this newbuilding, which was fully drawn as of December 31, 2022 (see Note 10 for additional information).

8. Accounts Payable and Other

	December 31, 2022 $	December 31, 2021 $
Current		
Accounts payable	3,871	7,879
Accrued liabilities	37,772	34,006
Deferred revenues	6,561	11,803
Lease liabilities	31	11,364
Total current	48,235	65,052
Non-current		
Accounts payable and other	—	(1)
Deferred revenues	—	354
Lease liabilities	113	154
Total non-current	113	507

Provisions

	December 31, 2022 $	December 31, 2021 $
Opening balance at beginning of year	—	5,644
Additional provisions recognized	—	—
Reduction arising from payments / derecognition	—	(5,644)
Closing balance at end of period	—	—

Occasionally the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Certain of these claims have been assessed by the Company as having a remote possibility of any outflow from settlement and are therefore not included in the balances above.

9. Other Financial Liabilities

	December 31, 2022 $	December 31, 2021 $
Current		
Derivative instruments	321	1,949
Obligations relating to leases	11,045	10,990
Total current	11,366	12,939
Non-current		
Obligations relating to leases	177,041	188,117
Total non-current	177,041	188,117

As at December 31, 2022, the undiscounted contractual maturities of the Company's obligations relating to the leases under the sale and leaseback transactions were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Obligations related to leases	190.4	11.3	11.3	11.3	11.3	11.3	133.9

As at December 31, 2022, the Company had leases secured by two vessels (December 31, 2021 - two vessels) with a combined carrying value of $227.8 million (December 31, 2021 - $240.6 million). The liability for the leases accrues interest at a variable rate of LIBOR plus a margin of 2.85%. As at December 31, 2022, the Company was in compliance with all covenant requirements of its leases.

Derivative Financial Instruments

The Company's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign currency risk and credit risk. The Company selectively uses derivative financial instruments principally to manage certain of these risks.

The aggregate amount of the Company's derivative financial instrument positions is as follows:

	December 31, 2022		December 31, 2021	
	Financial Asset $	Financial Liability $	Financial Asset $	Financial Liability $
Interest rate swaps	—	—	—	1,277
Foreign currency forward contracts	875	321	274	672
Total	875	321	274	1,949
Total current	875	321	274	1,949

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the impact of interest rate changes, primarily through its floating-rate borrowings that require it to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect operating margins, results of operations and the Company's ability to service its debt. The Company may use interest rate swaps to reduce its exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with the Company's floating-rate debt.

As at December 31, 2022, the Company is not part of any interest rate swaps, as the previously entered interest rate swaps have all been terminated. The Company has not designated, for accounting purposes, any interest rate swaps as hedges of variable rate debt during the three months and year ended December 31, 2022 and December 31, 2021, respectively. Certain of the Company's interest rate swaps have historically been secured by vessels.

In September 2022, the Company terminated, on maturity, one of its interest rate swaps, which as at June 30, 2022, had a notional amount of $100.0 million and a total fair value asset of $nil.

During the three months and year ended December 31, 2022, the effective portion of previously designated and qualifying cash flow hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified to earnings and reported in interest expense was a gain of $nil and $0.5 million, respectively (three months and year ended December 31, 2021 - gain of $0.2 million and $0.8 million, respectively).

Total realized and unrealized gain (loss) on the Company's derivative financial instruments that are not designated, for accounting purposes, as cash flow hedges are recognized in earnings and reported in realized and unrealized gain (loss) on derivative instruments in the unaudited interim condensed consolidated statements of income (loss) for the three months and year ended December 31, 2022 and 2021 as follows:

	Three Months Ended December 31,		**Year Ended December 31,**	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Realized gain (loss) on derivative instruments				
Interest rate swap	—	(503)	(706)	(1,942)
Foreign currency forward contracts	(1,618)	400	(3,344)	5,241
	(1,618)	(103)	(4,050)	3,299
Unrealized gain (loss) on derivative instruments				
Interest rate swap	—	677	1,277	2,091
Foreign currency forward contracts	5,391	(343)	951	(5,541)
	5,391	334	2,228	(3,450)
Total realized and unrealized gain (loss) on derivative instruments	3,773	231	(1,822)	(151)

The following table presents the notional amounts underlying the Company's derivative financial instruments by term to maturity as at December 31, 2022:

	Total	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**Thereafter**
			(in millions of U.S. Dollars)				
Fair value through profit or loss							
Foreign currency forward contracts	38.7	38.7	—	—	—	—	—
Total	38.7	38.7	—	—	—	—	—

10. Borrowings

	December 31, 2022	December 31, 2021	Weighted average term		Weighted average rate	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	$	$	(years)	(years)	(%)	(%)
Revolving Credit Facilities	244,201	301,387	1.39	2.39	7.24	2.68
Term Loans	696,473	671,832	5.39	5.96	5.94	2.85
Public Bonds	380,000	449,342	2.35	2.93	10.13	7.85
Non-Public Bonds	68,623	77,286	1.00	2.00	4.96	4.96
Total	1,389,297	1,499,847	3.64	4.13	7.27	4.42
Less: deferred financing costs and other	(14,684)	(22,075)				
Total borrowings	1,374,613	1,477,772				
Less current portion	(314,032)	(164,313)				
Long-term portion	1,060,581	1,313,459				

Revolving Credit Facilities

As at December 31, 2022, the Company had one revolving credit facility (December 31, 2021 - one), which, as at such date, provided for total borrowings of up to $244.2 million (December 31, 2021 - $301.4 million), and was fully drawn (December 31, 2021 - fully drawn).

Term Loans

As at December 31, 2022, the Company had term loans which totaled $696.5 million (December 31, 2021 - $671.8 million). The term loans reduce over time with quarterly or semi-annual payments and have varying maturities through 2034. As at December 31, 2022, all of these terms loans were guaranteed by the Company, a subsidiary of the Company or the other owner in the Company's non-wholly owned subsidiaries.

Public and Non-Public Bonds

As at December 31, 2022, the Company had public bonds outstanding which totaled $380.0 million (December 31, 2021 - $449.3 million) and non-public bonds outstanding which totaled $68.6 million (December 31, 2021 - $77.3 million). The public bonds have varying maturities through 2025 and the non-public bonds reduce over time with semi-annual payments and varying maturities through 2023.

In August 2022, on maturity, the Company redeemed the remaining $68.8 million of bonds on its outstanding 7.125% senior unsecured bonds listed on the Oslo Stock Exchange. The bonds were repaid at 101% of par value as per the amended loan agreement.

In December 2021, the Company issued $180.0 million in senior unsecured bonds in the Norwegian bond market that mature in December 2025. These bonds are listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.50%. The bonds are non-callable for three years and all distributions by the issuer have been suspended for the life of the bonds. These bonds were issued at a discount to par value of 3% and the proceeds plus cash on hand were used to repurchase $181.2 million of the Company's preexisting 7.125% senior unsecured $250.0 million bond maturing in August 2022.

As at December 31, 2022, the contractual maturities of the Company's borrowings were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Borrowings:							
Public Bonds	380.0	—	200.0	180.0	—	—	—
Secured debt - scheduled repayments	430.4	102.9	67.9	42.9	36.0	33.8	146.9
Secured debt - repayments on maturity	578.9	211.9	169.4	—	197.6	—	—
Total borrowings	1,389.3	314.8	437.3	222.9	233.6	33.8	146.9

See Note 11 for information regarding the Company's borrowings due to related parties.

The Company's minimum liquidity requirements under its financial covenants include but are not limited to maintaining a minimum liquidity in an amount equal to the greater of $35 million and 5% of total debt and a net debt to total capitalization ratio of no greater than 75%. The Company's ability to make cash distributions are, for the time being, not permitted in accordance with the terms of its $180.0 million senior unsecured bond. As at December 31, 2022, the Company was in compliance with all covenant requirements of its revolving credit facilities, term loans and bonds.

Interest paid during the three months and year ended December 31, 2022 was $31.8 million and $91.9 million, respectively (three months and year ended December 31, 2021 - $16.1 million and $77.2 million, respectively).

11. Related Party Transactions

The Company has no key employees and does not remunerate key management personnel.

The key management personal of the Company are as follows:

Name	Position
Ingvild Sæther	President and Chief Executive Officer, Altera Infrastructure Group Ltd.
Jan Rune Steinsland	Chief Financial Officer, Altera Infrastructure Group Ltd.
Duncan Donaldson	General Counsel, Altera Infrastructure Group Ltd.

During the three months and year ended December 31, 2022 and 2021 the total compensation expenses of these three key management personnel of the Company were as follows:

	Salary $	Bonus $	Pension Benefits $	Other Benefits $	Total Compensation $
Three months ended December 31, 2022	293	—	35	—	328
Three months ended December 31, 2021	497	—	53	4	554
Year ended December 31, 2022	1,282	4,015	72	45	5,414
Year ended December 31, 2021	1,585	1,788	93	70	3,536

Altera Infrastructure and its wholly-owned subsidiaries provide a significant portion of the Company's commercial, technical, crew training, strategic, business development and/or administrative service needs.

The Company is a party to the following transactions with related parties:

a) On December 14, 2021, the Company entered into an agreement with Brookfield to issue $70.0 million aggregate principal amount of unsecured PIK notes (the *12.50% PIK Notes*), which contemporaneously discharged the then-existing $70.0 million unsecured revolving credit facility which was fully drawn, accrued interest at a rate equal to LIBOR plus a margin of 5.00% and was due to mature in February 2022. Interest under the 12.50% Notes is payable in kind, biannually, at a fixed-rate of 12.50% and the facility matures in June 2026. The 12.50% PIK Notes are to be listed on The International Stock Exchange. Additional 12.50% PIK Notes may only be issued to satisfy the interest payable under the notes. As at December 31, 2022, the Company had recorded $9.6 million of PIK interest which was added to the outstanding principal amount of the 12.50% PIK Notes. Any outstanding principal balances are due on the maturity date.

During the year ended December 31, 2021, the Company determined that the interest rate under the $70.0 million revolving credit facility described above was deemed to be at below market terms and therefore, Brookfield was acting in its capacity as an equity owner. The Company recorded a $0.6 million decrease in the carrying value of the facility, which was classified as an equity contribution in the Company's consolidated statements of changes in equity during the year ended December 31, 2021.

As at December 31, 2022, the contractual maturities of the Company's borrowings due to related parties were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Borrowings due to related parties:							
12.50% Unsecured PIK notes (1)	79.6	—	—	—	79.6	—	—
Total borrowings due to related parties	79.6	—	—	—	79.6	—	—

(1) Includes PIK interest of $9.6 million. See Note 11a for additional information.

As at December 31, 2022, the Company was in compliance with the covenant requirements of this facility

b) During the year ended December 31, 2022, a common control transaction was undertaken, whereby the Company acquired Altera Shuttle Loading AS (formerly Navion Offshore Loading AS) from Altera Infrastructure Holdings L.L.C. The transaction was accounted for as a common control transaction by using the pooling of interest method.

The Company also reimburses its related parties for expenses incurred by the companies that are necessary or appropriate for the conduct of the Company's business. The Company's related party transactions recognized in the consolidated statements of income (loss) were as follows for the periods indicated:

(all tabular amounts stated in thousands of U.S. Dollars)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
General and administrative (1)	(7,986)	(8,798)	(26,208)	(28,298)
Interest expense (2)(3)	(2,343)	(1,526)	(9,095)	(2,931)

(1) Includes ship management and crew training services provided by Altera Infrastructure and its subsidiaries.

(2) Includes interest expense of $2.3 million and $9.1 million incurred on the 12.50% PIK Notes for the three months and year ended December 31, 2022, respectively (three months and year ended December 31, 2021 - $0.5 million and $0.5 million, respectively) See Notes 11a for additional information.

(3) Includes interest expense of $nil and $nil for the three months and year ended December 31, 2022, respectively (three months and year ended December 31, 2021 - $1.8 million and $0.6 million, respectively), and an accretion expense of $nil and $nil for the three months and year ended December 31, 2022 (three months and year ended December 31, 2021 - $0.6 million and $0.4 million, respectively) incurred on unsecured revolving credit facilities provided by Brookfield.

At December 31, 2022, the carrying value of amounts due from related parties totaled $23.0 million (December 31, 2021 - $20.5 million) and the carrying value of amounts due to related parties totaled $89.4 million (December 31, 2021 - $75.1 million) and consisted of the 12.50% PIK Notes issued to Brookfield (See Note 11a for additional information), and other related party payables.

12. Revenues

The Company's primary source of revenues is chartering its vessels and offshore units to its customers. The Company utilizes four primary forms of contracts, consisting of contract of affreightment (*CoAs*), time-charter contracts, bareboat charter contracts and voyage charter contracts. During the three months and year ended December 31, 2022, the Company also generated revenues from the operation of volatile organic compound (*VOC*) systems on certain of the Company's vessels.

The following table contains the Company's revenues for the three months and year ended December 31, 2022 and 2021, by contract type:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenues from contracts with customers	$	$	$	$
CoAs	37,431	20,532	126,309	85,190
Time-charters	28,928	26,864	110,379	96,196
Management fees and other	2,501	2,474	6,122	14,417
	68,860	49,870	242,810	195,803
Other revenues				
CoAs	28,505	29,394	108,128	121,872
Time-charters	46,232	41,446	177,692	160,767
Bareboat charters	—	3,210	—	9,604
Voyage charters	21,803	6,982	75,779	25,449
	96,540	81,032	361,599	317,692
Total revenues	165,400	130,902	604,409	513,495

(all tabular amounts stated in thousands of U.S. Dollars)

Revenues from External Customers

The following tables contain the Company's revenues for the three months and year ended December 31, 2022 and 2021 by geography, based on the operating location of the Company's assets and by segment:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenues from contracts with customers	$	$	$	$
Norway [1]	45,156	28,407	153,645	110,809
Brazil [1]	7,394	7,154	29,476	34,233
Canada	16,310	14,309	59,689	49,150
Other	—	—	—	1,611
Total revenues from contracts with customers	68,860	49,870	242,810	195,803
Other revenues				
Norway [1]	48,877	42,453	184,629	170,165
Brazil [1]	14,647	17,729	57,937	65,757
Canada	20,705	15,871	74,224	60,216
Other	12,311	4,979	44,809	21,554
Total other revenues	96,540	81,032	361,599	317,692
Total revenues	165,400	130,902	604,409	513,495

(1) Reference to Norway and Brazil are to income from international shipping activities occurring on the Norwegian and Brazilian continental shelves, respectively.

13. Direct Operating Costs

Direct operating costs include all attributable expenses except interest, depreciation and amortization, impairment expense, other expenses and taxes, and primarily relate to cost of revenues. The following table lists direct operating costs for the three months and year ended December 31, 2022 and 2021 by nature:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Voyage expenses [1]	46,338	28,688	162,412	97,783
Operating expenses	22,219	17,570	71,955	75,829
Charter hire	3,571	2,385	12,342	10,141
Compensation	14,280	14,918	58,820	62,000
Total	86,408	63,561	305,529	245,753

(1) Expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

14. Gain (loss) on modification of financial liabilities, net

The table below summarizes the company's gain (loss) on modification of financial liabilities, net for the three months and years ended December 31, 2022 and 2021:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Gain (loss) on modification of financial liabilities, net [1]	—	(10,532)	—	(10,532)
Total gain (loss) on modification of financial liabilities, net	—	(10,532)	—	(10,532)

(1) During the year ended December 31, 2021, the Company recognized a loss on modification of financial liabilities of $10.5 million due a substantial modification related to the $180.0 million unsecured bonds issued in December 2021 (see Note 10).

15. Income Taxes

Income tax (expense) benefit was $7.8 million and $7.7 million for the three months and year ended December 31, 2022, compared to $2.9 million and $0.4 million for the three months and year ended December 31, 2021, primarily due to a re-assessment of deferred tax assets during the fourth quarter of 2022 following the re-organization which resulted in the movement of certain fleet activities to Norway.

16. Subsequent Events

In February 2023, the Company entered into an agreement with TotalEnergies to utilize the *Samba Spirit* on a 22 month firm time-charter contract with extension options for an additional two or four months.

In February 2023, the Company entered an agreement with Knutsen to in-charter the *Ingrid Knutsen* for 10 months from March 1, 2023.