



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 995 221 713
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNUTSEN NYK OFFSHORE TANKERS AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 23.03.2021

Grunnlag for avgivelse

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

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

Brønnøysundregistrene, 26.05.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue		122 149 545	0
Other operating income		0	783
Gain sale of vessel		76 478 366	0
Sum inntekter		198 627 911	783
Kostnader			
Crew-hire		13 940 371	0
Avskrivning på varige driftsmidler og immaterielle eiendeler		15 007 935	0
administration expenses	6,7	9 269 981	3 433 687
other operating expenses		16 285 423	0
Sum kostnader		54 503 710	3 433 687
Driftsresultat		144 124 201	-3 432 904
Finansinntekter og finanskostnader			
Financial income	8	501 267 159	739 553 132
Foreign exchange gain/-loss		112 215 920	
Sum finansinntekter		613 483 079	739 553 132
Financial expenses	8	148 931 259	251 917 033
Foreign exchange gain/-loss			26 824 579
Sum finanskostnader		148 931 259	278 741 612
Netto finans		464 551 820	460 811 520
Ordinært resultat før skattekostnad		608 676 021	457 378 616
Skattekostnad på ordinært resultat	10	127 985 921	37 352 239
Ordinært resultat etter skattekostnad		480 690 100	420 026 377
Årsresultat		480 690 100	420 026 377



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	0	14 127 805
Sum immaterielle eiendeler		0	14 127 805
Finansielle anleggsmidler			
Investering i datterselskap	2	4 865 424 492	4 403 730 186
Lån til foretak i samme konsern		57 755 025	547 467 159
Investeringer i tilknyttet selskap	2	1 032 636 491	1 032 636 491
Sum finansielle anleggsmidler		5 955 816 008	5 983 833 836
Sum anleggsmidler		5 955 816 008	5 997 961 641
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		60 053	44 567
Receivables related parties		329 773	0
Group receivables		41 732 362	145 000 515
Group contributions		245 836 076	241 996 073
Dividend		51 553 822	0
Sum fordringer		339 512 086	387 041 155
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		219 470 801	92 072 362
Sum bankinnskudd, kontanter og lignende		219 470 801	92 072 362
Sum omløpsmidler		558 982 887	479 113 517
SUM EIENDELER		6 514 798 895	6 477 075 158

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Selskapskapital		1 601 864 400	1 601 864 400
Overkurs		598 428 328	598 428 328
Sum innskutt egenkapital		2 200 292 728	2 200 292 728
Opptjent egenkapital			
Annen egenkapital		1 746 494 076	1 472 753 054
Sum opptjent egenkapital		1 746 494 076	1 472 753 054
Sum egenkapital	4,9	3 946 786 804	3 673 045 782
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10	11 642 302	0
Sum avsetninger for forpliktelser		11 642 302	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5	1 389 553 673	1 595 385 286
Langsiktig konserngjeld		734 881 117	406 375 620
Financial liabilities		7 885 597	27 048 148
Sum annen langsiktig gjeld		2 132 320 387	2 028 809 054
Sum langsiktig gjeld		2 143 962 689	2 028 809 054
Kortsiktig gjeld			
Leverandørgjeld		1 201 535	46 277
Kortsiktig konserngjeld		1 273 897	497 721
Accrued interest		4 679 239	10 119 099
Group contributions		386 115 727	764 482 947
Current liabilities to related parties		30 779 004	74 279
Sum kortsiktig gjeld		424 049 402	775 220 323
Sum gjeld		2 568 012 091	2 804 029 377
SUM EGENKAPITAL OG GJELD		6 514 798 895	6 477 075 159



Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2,14	210 379 000	244 472 000
Other Income	2,14	27 455 000	18 099 000
Gain on Sale Business	7	11 044 000	0
Gain on Sale Fixed Assets	3	3 593 000	0
Sum inntekter		252 471 000	262 571 000
Kostnader			
Lønnskostnad	14,15	57 859 000	59 937 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	110 864 000	116 510 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	0	-77 000
operating expenses vessels	14,15	32 981 000	28 469 000
other expenses	15	542 000	92 000
administration expenses	14,15	-7 785 000	18 876 000
vessel hire	12	18 579 000	22 316 000
loss on sale fixed assets	3	0	839 000
Sum kostnader		213 040 000	246 962 000
Driftsresultat		39 431 000	15 609 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	6	12 363 000	14 941 000
Annen finansinntekt	16	874 000	2 109 000
Changes in market value of financial assets / liabilities			12 000
Currency gains (losses), net		942 000	66 000
Sum finansinntekter		14 179 000	17 128 000
Annen finanskostnad	12,14, 16	30 667 000	37 906 000
Changes in market value of financial assets / liabilities		6 548 000	
Sum finanskostnader		37 215 000	37 906 000
Netto finans		-23 036 000	-20 778 000
Ordinært resultat før skattekostnad		16 395 000	-5 169 000



Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
Skattekostnad på ordinært resultat	17	2 358 000	-2 380 000
Ordinært resultat etter skattekostnad		14 037 000	-2 789 000
Årsresultat		14 037 000	-2 789 000
Minoritetsinteresser		-88 000	205 000
Årsresultat etter minoritetsinteresser		14 125 000	-2 994 000
non controlling interest		-88 000	205 000
Other comprehensive Income		3 244 000	-2 455 000
Sum resultatkomponenter for IFRS-foretak		3 156 000	-2 250 000
Totalresultat		17 281 000	-5 244 000



Konsernets balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	17	38 218 000	38 490 000
Goodwill	5	74 793 000	74 793 000
Sum immaterielle eiendeler		113 011 000	113 283 000
Varige driftsmidler			
Vessels	3	662 427 000	649 281 000
Vessels under construction	3,4,14	85 614 000	103 143 000
Property and equipment	3	447 000	614 000
Right-of-use assets	12	24 985 000	32 297 000
Sum varige driftsmidler		773 473 000	785 335 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	6	184 651 000	194 428 000
Long-term receivables	8	18 000	278 000
Financial assets	8,11	0	305 000
Sum finansielle anleggsmidler		184 669 000	195 011 000
Sum anleggsmidler		1 071 153 000	1 093 629 000
Omløpsmidler			
Varer			
Stores	13	6 238 000	6 259 000
Sum varer		6 238 000	6 259 000
Fordringer			
Kundefordringer	8,11,1 4	14 890 000	21 903 000
Financial assets	8,11	0	463 000
Receivable associated companies/related parties	8	1 154 000	525 000
Other receivables	8	12 077 000	18 053 000
Sum fordringer		28 121 000	40 944 000
Bankinnskudd, kontanter og lignende			



Konsernets balanse

Beløp i: USD	Note	2020	2019
Bankinnskudd, kontanter og lignende	9	83 971 000	58 441 000
Restricted bank deposits	9	27 219 000	27 027 000
Sum bankinnskudd, kontanter og lignende		111 190 000	85 468 000
Sum omløpsmidler		145 549 000	132 671 000
SUM EIENDELER		1 216 702 000	1 226 300 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Selskapskapital	19	271 384 000	271 384 000
Share premium		104 481 000	104 481 000
Sum innskutt egenkapital		375 865 000	375 865 000

Opptjent egenkapital

Annen egenkapital		141 306 000	123 936 000
Minoritetsinteresser		249 000	417 000
Sum opptjent egenkapital		141 555 000	124 353 000

Sum egenkapital

517 420 000 **500 218 000**

Gjeld

Langsiktig gjeld

Deferred income	8	1 050 000	1 192 000
Sum avsetninger for forpliktelser		1 050 000	1 192 000

Annen langsiktig gjeld

Gjeld til kredittinstitusjoner	10	539 210 000	310 444 000
lease liabilities	10,12	28 819 000	35 678 000
Shareholder's loan	10	0	39 831 000
Financial liabilities	8,11	6 769 000	4 873 000
Sum annen langsiktig gjeld		574 798 000	390 826 000

Sum langsiktig gjeld

575 848 000 **392 018 000**

Kortsiktig gjeld



Konsernets balanse

Beløp i: USD	Note	2020	2019
Gjeld til kredittinstitusjoner	10	80 221 000	294 179 000
Leverandørgjeld	8,14	9 534 000	8 918 000
Betalbar skatt	17	144 000	173 000
lease liabilities	10,12	6 860 000	6 568 000
Current financial liabilities	8,11	4 459 000	4 101 000
Other current liabilities to associated companies	8	5 433 000	2 057 000
Other current liabilities	8	16 783 000	18 068 000
Sum kortsiktig gjeld		123 434 000	334 064 000
Sum gjeld		699 282 000	726 082 000
SUM EGENKAPITAL OG GJELD		1 216 702 000	1 226 300 000



Skattedirektoratet

Saksbehandler
Jan Hoelstad

Deres dato
11.03.2011

Vår dato
30.03.2011

Telefon
22077325

Deres referanse
Jørn Knutsen

Vår referanse
2011/327976

Ernst & Young AS
Postboks 6163, Postterminalen
5892 Bergen

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

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

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

Postadresse

Postboks 9200 Grønland
0134 Oslo

For elektronisk henvendelse se www.skatteetaten.no

Besøksadresse

Se www.skatteetaten.no
Org. nr: 996250318

Sentralbord

800 80 000
Telefaks

22 17 08 60



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

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

Søknad:

Fra deres brev gjengis:

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

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

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

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

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

Skattedirektoratets vurdering og konklusjon

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



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

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

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

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


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

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

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

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

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Jan Høelstad



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KNOT Knutsen
NYK Offshore
Tankers

**Annual Report
2020**



Knutsen NYK Offshore Tankers AS



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KNUTSEN NYK OFFSHORE TANKERS AS

DIRECTORS' REPORT 2020

GROUP AND COMPANY

Knutsen NYK Offshore Tankers AS ("KNOT" or "the Company") is the holding company for the shuttle tanker and FSO fleet, owned jointly by TS Shipping Invest AS ("TSSI") and NYK Holding (Europe) B.V. ("NYK").

The Company owns a number of ship-owning subsidiaries, management companies and 27.84% of the KNOT Offshore Partners Group, and operates out of Haugesund, Norway. The Group's first shuttle tankers were ordered in 1984. Since then, KNOT has been a leader in the technical development of shuttle tankers.

Our shuttle tankers transport oil from offshore oil fields in North Europe, South America, and West Africa. The vessels operate in a demanding trade with frequent offshore loadings and subsequent port calls, which requires high quality and stable operations.

The Group has a fleet of eleven specialised shuttle tankers at year end 2020 and took delivery of M/T Tuva Knutsen in February 2021. KNOT have four new buildings under construction in Korea and China for delivery later in 2021 and in 2022 and the vessels will start up on long term time-charter contracts following delivery. Our ships are mainly employed on long-term charters and Contract of Affreightments ("CoA") to first class charterers. This strategy combined with strong project execution capabilities and operational excellence has allowed the Group to become the world leading operator of advanced offshore shuttle tankers.

In addition, the Group owns and operate two floating storage and offloading ("FSO") vessels, where M/T Jorunn Knutsen has operated at the Equinor Energy AS operated Åsgard field offshore Norway without any off-hire since start-up in 2000. In 2018, KNOT also completed the conversion of M/T Hanne Knutsen from shuttle tanker to FSO. The vessel is servicing a long-term contract with Equinor Energy AS at the Martin Linge field offshore Norway.

KNOT Management AS, KNOT Management do Brasil Ltda, in Rio de Janeiro and KNOT Management Denmark A/S, all wholly owned subsidiaries, are responsible for the operation and management of the vessels owned by subsidiaries of KNOT as well as the vessels owned by the KNOT Offshore Partners L.P. Group in accordance with separate management agreements including ship management (commercial-, technical-, crew-, accounting, administration- and corporate management). The ship owning companies have no direct employees. The management companies employ the management, whilst the seafarers are employed by the managers and subcontractors of the managers. Two of the Groups shuttle tankers are buying ship technical services and crew management from Canship Ugland Ltd., a company 49% owned by TSSI Group.

Offshore loading and dynamic positioned tanker vessels are the Group's main strategic focus and the Group is actively involved in the technical evolution of these types of tankers.

Main Events

In January 2020, the Group ordered two LNG fuelled shuttle tankers which will be employed on long term contracts to ENI Trading & Shipping S.p.A. The two new 124,000 DWT LNG fuelled shuttle tankers are under construction at Daewoo Shipbuilding & Marine Engineering Co. Ltd shipyard in Korea with delivery mid-2022 and the vessels will operate in the North Sea under time-charter contract for a maximum 10-year period. These vessels will significantly be able to reduce emissions of CO₂ equivalents compared to conventional oil-fuelled shuttle tankers, through using LNG as the primary fuel and further utilize energy recovered from volatile organic compounds. For peak shaving and energy optimization during both sailing and DP operations a battery package will be installed.

In May 2020, the Group was awarded one new long-term charter with a subsidiary of PetroChina Company Limited. The new DP2 shuttle tanker is under construction at COSCO shipyard in China, with delivery scheduled



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for 2nd quarter 2022. The vessel is expected to operate in Brazil under a time charter contract for a maximum 10-year period.

In June 2020, the Group was awarded one new long-term charter with a subsidiary of Galp Sinopec Brazil Services B.V. The new DP2 shuttle tanker is under construction a COSCO shipyard in China, with delivery scheduled for 4th quarter 2021. The vessel is contracted to operate in Brazil under an up to 11 year time charter period.

The Group took delivery of M/T Tove Knutsen from Korean shipyard in September 2020 and the sister vessel M/T Synnøve Knutsen in October 2020. M/T Tove Knutsen has after testing and approval started on an up to 20 year time-charter contract with a subsidiary of Equinor ASA for operation in Brazil. 31 December the vessel was sold to KNOP Group. M/T Synnøve Knutsen has after positioning and testing in Brazil in 2021 replaced M/T Sallie Knutsen on an existing charter contract with a subsidiary of Petrobras in Brazil. The vessel will start the long-term contract with the Equinor subsidiary end 2021.

In the 2nd quarter the Group sold the 24-year-old M/T Gerd Knutsen for further trade after the vessel was redelivered from a long-term charter with Citgo Petroleum Corporation.

The 23-year-old M/T Elisabeth Knutsen was in September sold for further trading after the vessel was redelivered from a long-term charter with Tullow Ghana Limited.

In February 2021, the Group took delivery of M/T Tuva Knutsen from COSCO shipyard in China and the vessel commenced on a long term time-charter contract with a subsidiary of Total for operation in Brazil.

Profit for the year

The Group's total revenue and operating income of USD 252 million contributed to an operating result (before depreciation and write-downs) of USD 163 million, compared to USD 147 million in 2019. The Group had a profit before tax for the year of USD 16 million, compared to loss before tax of USD 5 million in 2019. The increase is mainly related to gain on sale of M/T Tove Knutsen and M/T Elisabeth Knutsen and the sale, and delayed charter payment for M/T Gerd Knutsen after long term negotiations. Ordinary profit for the period amounted to USD 14 million compared to a loss of USD 3 million in 2019. The tax rate is different from the 22% normal corporate income tax rate in Norway as a major part of the business is subject to Norwegian tonnage tax in which the operating result is not taxed. Tax free gains from sale of shares to KNOP combined with currency effect (fluctuations in the USD/NOK exchange rate) on deferred taxes are also reasons for the difference.

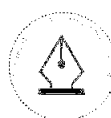
The total cash position of the Group was USD 111 million as of 31.12.20, of which USD 27 million is restricted bank deposit. The Group had USD 36 million in undrawn revolving credit facilities at year end. Total short-term debt amounted to 18 % of total debt and liabilities, in comparison to 46 % in 2019. The cash flow from operating activities was USD 157 million in 2020, compared to operating cash flow of USD 117 million in 2019.

Total assets for the Group at year-end 2020 amounted to USD 1 217 million compared to USD 1 226 million in 2019. Equity share as at 31.12.20 was 43 % (41 % as at 31.12.19).

The total assets of the Company amounted to NOK 6 515 million at year end (NOK 6 477 million in 2019). Investment in subsidiaries and associated companies through shares and group loans amounted to NOK 5 956 million (NOK 5 984 million in 2019), 91 % of the total assets. The cash balance is NOK 219 million (NOK 92 million in 2019) at year-end and the Company has a working capital of NOK 134 million (minus NOK 296 million in 2019). NOK 386 million of the current liabilities are related to group contributions, which will mainly be set-off against loan to group companies after the general meeting. This is part of our strategy to increase the equity share in our subsidiaries.

Ordinary profit before tax amounted to NOK 609 million, compared to NOK 457 million in 2019. Ordinary profit after tax amounted to NOK 481 million compared to NOK 420 million in 2019. The Board of Directors recommends that the profit for the year is transferred to other equity. Equity share as of 31.12.20 was 61 % (57 % in 2019). The Company's total equity was NOK 3 947 million on December 31, 2020 (NOK 3 673 at December 31, 2019) of which other equity was NOK 1 728 million (NOK 1 473 million in 2019).

The Financial Statements have been prepared under the assumption of going concern, and the Board of directors confirms that this assumption is in accordance with the Norwegian Accounting Act § 3-3.



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Financing

The Group has a solid financial position both in terms of liquidity and solidity. During 2020, the Group carried out several financing and refinancing activities improving the Groups maturity profile and further strengthening the Groups liquidity position.

The Group continuously works to secure refinance of maturing debt 3-18 months before maturity. For 2021 the Group has no vessel related refinancing coming up for renewal, but target to secure the financing of the newbuildings that are under construction.

The Group continues to see solid appetite for our financing initiatives from a good number of lenders and is confident in our ability to raise attractive financing for both our current newbuilding programs and our existing vessels.

Liquidity situation going into 2021 is comfortable with USD 111 million cash of which USD 27 million is restricted cash. In addition, the Group has USD 36 million of undrawn revolving credit facilities. Overview and details of the cash, mortgage and main covenants are included in notes 9 and 10.

Risk factors

The majority of KNOT's revenues are denominated in USD and the minority in NOK, whereas parts of the operating expenses are denominated in other currencies. The salaries of the Norwegian seafarers and the general administration expenditures at headquarters in Haugesund are denominated in NOK. There are also some expenditures in other European currencies and Brazilian Reals resulting in limited additional currency exposure. KNOT receives the time-charter hire of the Martin Linge FSO and the OPEX element on the Åsgard FSO in NOK which is a natural hedge against the NOK expenditures in KNOT. In addition, the vessels are financed in the currency reflected in the charter contracts for each specific vessel, normally USD, which gives a natural hedge against freight income and second-hand market for vessels. KNOT does not apply hedge accounting.

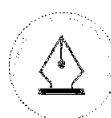
KNOT is also exposed to fluctuations in interest rates. The debt financing has variable interest rates, but a part of the debt for the vessels on long-term charters is hedged with interest rates swaps. KNOT regularly makes prepayments to shipyards for vessels under construction. These deposits are secured by refund guarantees from reputable financial institutions.

The Group's result from the operational activities depends on the worldwide supply and demand for offshore tankers. The spot market for crude oil tankers will also influence the financial performance of the company because the vessels operating on Contract of Affreightment contracts in the pool are occasionally deployed as crude oil tankers if it is not achievable to employ them full time as shuttle tankers.

The general supply of vessels is determined by a combination of new buildings and conversions, while the demand side of our business is mainly influenced by the production at offshore oil fields, which requires FSOs for storage of the produced oil at the field and shuttle tankers for transportation to shore. However, the sentiment in the tanker market might also influence the supply/demand by the fact shuttle tankers have the flexibility to be traded also as conventional oil tankers.

Although oil price fluctuation generally has little impact on our business in the short-term, a continued low oil price can possibly impact the future growth of offshore oil production and hence the long-term demand for shuttle tankers. KNOT has always pursued a strategy based on advanced vessels and long-term charter contracts with first class charterers. Therefore, the management believes that the risk of default on our long-term charter contracts is limited.

As with all global shipping activities our operations are subject to risks related to outbreaks of infectious diseases. Governments in Corona affected countries are, though temporary in measure, imposing travel bans, quarantines and other emergency public health measures. The company management and the Board of Directors strives to tackle continued challenges and changes in the Pandemic environment ensuring safe trading of our vessels with regular crew change whilst also ensuring that our newbuildings are delivered timely to entertain charter contracts entered into.



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Environment, safety and quality control

The Group's values are essential to succeed over time in a competitive environment. The Group's values are at the core of the management system and guide how the Group conducts business, work together and how the Group acts towards stakeholders.

The Group's three main values are:

- Credibility – Show integrity on all levels through responsible and solution minded employees and operations.
- Innovation – Innovation and passion for sustainable solutions.
- Care – Relation, behaviour and commitment to safety for employees, customers, assets and the environment.

To meet the ever-stricter environmental and safety requirements, the Group has maintained objectives concerning high quality vessels operation. The Group's fleet consists of vessels of high technical standards and we are continually striving to improve the performance, energy optimisation and emission reduction for the Group's vessels, newbuilding's, and future fleet renewal.

The Group and the external ship manager place considerable emphasis on safety and quality control, and strict requirements are put on safe operation of the vessels.

The Group has a training program which for the time being involves 141 training positions. The Group focus on having a high retention rate for officers and crews, and for 2020 the retention rate was 91.1 %.

There have been no cases where the Group pollutes the external environment other than that within emissions from tanker operation.

The Group has established overall guidelines to ensure that:

- The Group activities shall be executed professionally and at the very least in accordance with the national and international rules and regulations as well as internal and external standards. Proactive actions shall be taken to avoid injuries, loss of lives and material damages.
- The Group's operations shall be planned, and attention shall be taken in connection with executing activities and operations so that the environmental consequences are minimized.
- The Group HSSE & QA system is in accordance with the international requirements and standards, and the Group maintains all necessary certificates for its operation of activities. The management company has been further certified according to the ISM code as well as ISO 9001, ISO 14001 and OHSAS 18001 standard. The management company have in March 2021 been certified according to ISO 45001 replacing OHSAS 18001. Special attention is focused on preventive activities. Any deviation from the implemented procedures is reported and processed in the Group's HSSE & QA system. The Group's vessels are regularly subjected to vetting inspections. The same applies to the manager's land organisation.
- The company has set targets for reducing emissions related to CO₂, NO_x, and is implementing a program for reducing use of lubrication oil.

Sick leave among sailors was in 2020 at 1.53 % (1,0 % in 2019). Sick leave among office employees in Haugesund was in 2020 at 2.1 % (2.8 % in 2019). The working environment both on shore and aboard our vessels is considered to be good.



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Equal opportunity

The Group is an equal opportunity employer and strives to provide a working environment free of discrimination and harassment for employees regardless of location. All applicants will be considered for employment without attention to race, colour, religion, sex, sexual orientation, gender orientation, national origin or disability. New employment is based on business needs, job requirements and individual qualifications. No considerations are made outside the protection of the laws and regulations in the locations in where we operate. The share of women in the office is 25.71 %. Onboard our vessels the percentage of women is 2.63 %.

In a traditionally male-dominated business, we strive to progress in all aspects of diversity. This is an ongoing process and focus area for the Group.

Future developments

The Board of Directors believes that in addition to ESG and development of sustainable energy alternatives that the demand for existing, and in particular newbuild offshore shuttle tankers, will continue. This will in part be driven by requirements to entertain existing oil fields off shore and replace older tonnage in the North Sea and Brazil with further expansion into deep water offshore oil production areas. However, the length and severity of the Coronavirus outbreak and the global crude oil supply and demand affecting volatility in the oil price environment, cannot be estimated at this time. Such developments could affect the total number of new offshore projects and the overall off shore oil production outlook.



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Svein Steimler
Chairman of the Board

Haugesund, March 23, 2021

Trygve Seglem
Board member, President & CEO

Lef Teksum
Board member

Takashi Domyo
Board member & EVP

Akira Kono
Board member

Jorunn Seglem
Board member



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Knutsen NYK Offshore Tankers Group
Statements of Total Comprehensive Income

<u>USD 1000</u>	<u>Notes</u>	<u>2020</u>	<u>2019</u>
OPERATING INCOME			
Freight income	2,14	210 379	244 472
Other income	2,14	27 455	18 099
Gain on Sale Business	7	11 044	0
Gain on sale fixed assets	3	3 593	0
<i>Total operating income</i>		<u>252 471</u>	<u>262 571</u>
OPERATING EXPENSES			
Personell costs	14,15	-57 859	-59 937
Operating expenses vessels	14,15	-32 981	-28 469
Other expenses	15	-542	-92
Administration expenses	14,15	7 785	-18 876
Vessel hire	12	-18 579	-22 316
Loss on sale fixed assets	3	0	-839
<i>Total operating expenses</i>		<u>-102 176</u>	<u>-130 529</u>
Income from investment in associated companies	6	<u>12 363</u>	<u>14 941</u>
Operating profit before depreciation, write-down		<u>162 658</u>	<u>146 983</u>
Depreciation on vessels	3	-110 864	-116 510
Write down vessels	3	<u>0</u>	<u>77</u>
Operating profit		<u>51 794</u>	<u>30 550</u>
FINANCIAL INCOME AND EXPENSES			
Financial income	16	874	2 109
Financial expenses	12,14,16	-30 667	-37 906
Changes in market value of financial assets/liabilities		-6 548	12
Currency gains (losses), net		<u>942</u>	<u>66</u>
<i>Net financial income and expenses</i>		<u>-35 399</u>	<u>-35 719</u>
Profit before taxes		<u>16 395</u>	<u>-5 169</u>
Taxes	17	<u>-2 358</u>	<u>2 380</u>
PROFIT FOR THE PERIOD		<u>14 037</u>	<u>-2 789</u>
ATTRIBUTABLE TO:			
Non controlling interest		<u>-88</u>	<u>205</u>
Equity holders of parent		<u>14 125</u>	<u>-2 994</u>
Other comprehensiv Income*		<u>3 244</u>	<u>-2 455</u>
Total Comprehensive Income		<u>17 281</u>	<u>-5 244</u>

* Consist of exchange differences on translation from functional to presentation currency



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Knutsen NYK Offshore Tankers Group

Statements of financial position

USD 1000	Notes	31.12.2020	31.12.2019
ASSETS			
NON CURRENT ASSETS			
Deferred tax assets	17	38 218	38 490
Goodwill	5	74 793	74 793
<i>Total intangible assets</i>		<u>113 011</u>	<u>113 283</u>
Vessels	3	662 427	649 281
Vessels under construction	3,4,14	85 614	103 143
Property and equipment	3	447	614
Right-of-use assets	12	24 985	32 297
<i>Total tangible fixed assets</i>		<u>773 473</u>	<u>785 335</u>
Investments in associated companies	6	184 651	194 428
Long-term receivables	8	18	278
Financial assets	8,11	0	305
<i>Total financial non-current assets</i>		<u>184 669</u>	<u>195 011</u>
Non current assets		<u>1 071 153</u>	<u>1 093 629</u>
CURRENT ASSETS			
Stores	13	6 238	6 259
<i>Total Inventories</i>		<u>6 238</u>	<u>6 259</u>
Accounts receivables	8,11,14	14 890	21 903
Financial assets	8,11	0	463
Receivable associated companies/related parties	8	1 154	525
Other receivables	8	12 077	18 053
<i>Total debtors</i>		<u>28 121</u>	<u>40 944</u>
<i>Cash and bank deposits</i>	9	83 971	58 441
<i>Restricted bank deposits</i>	9	27 219	27 027
Total current assets		<u>145 549</u>	<u>132 671</u>
TOTAL ASSETS		<u>1 216 702</u>	<u>1 226 300</u>



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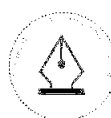
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Knutsen NYK Offshore Tankers Group

Statements of financial position

USD 1000	Notes	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Share capital	19	271 384	271 384
Share premium		104 481	104 481
<i>Total paid-in capital</i>		<u>375 865</u>	<u>375 865</u>
Other equity		141 306	123 936
<i>Total other equity</i>		<u>141 306</u>	<u>123 936</u>
Non controlling interests		249	417
Total equity		<u>517 420</u>	<u>500 218</u>
<u>LIABILITIES</u>			
Deferred income	8	1 050	1 192
<i>Total provisions</i>		<u>1 050</u>	<u>1 192</u>
Interest-bearing loans and borrowings	10	539 210	310 444
Lease liabilities	10,12	28 819	35 678
Shareholder's loan	10	0	39 831
Financial liabilities	8,11	6 769	4 873
<i>Total other non-current liabilities</i>		<u>574 798</u>	<u>390 826</u>
Interest-bearing loans and borrowings	10	80 221	294 179
Lease liabilities	10,12	6 860	6 568
Accounts payable	8,14	9 534	8 918
Tax payable	17	144	173
Current financial liabilities	8,11	4 459	4 101
Other current liabilities to associated companies	8	5 433	2 057
Other current liabilities	8	16 783	18 068
<i>Total current liabilities</i>		<u>123 434</u>	<u>334 064</u>
Total liabilities		<u>699 282</u>	<u>726 082</u>
TOTAL EQUITY AND LIABILITIES		<u>1 216 702</u>	<u>1 226 300</u>

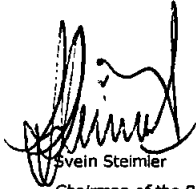


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Haugesund, March 23, 2021



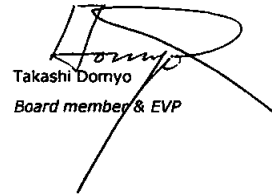
Svein Steimler
Chairman of the Board



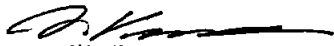
Trygve Seglem
Board member, President & CEO



Leif Teksum
Board member



Takashi Domyo
Board member & EVP



Akira Kono
Board member

Jorunn Seglem
Board member



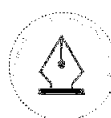
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Knutsen NYK Offshore Tankers Group Statement of changes in equity

USD 1000	Attributable to the equity holders of the parent					Non-controlling interest	Total equity
	Share capital	Share Premium	Retained earnings	Foreign currency translation reserve	Total		
Balance at 1 January 2019	271 384	104 481	147 235	-17 848	505 251	282	505 534
Profit for the year	0	0	-2 994	0	-2 994	205	-2 789
Dividends paid to shareholders	0	0	0	0	0	-70	-70
Other comprehensive income	0	0	0	-2 455	-2 455	0	-2 455
Total comprehensive income	0	0	-2 994	-2 455	-5 450	135	-5 314
Balance at 31 December 2019	271 384	104 481	144 241	-20 303	499 801	417	500 218
Balance at 1 January 2020	271 384	104 481	144 241	-20 303	499 801	417	500 218
Profit for the year	0	0	14 125	0	14 125	-88	14 037
Dividends paid to shareholders	0	0	0	0	0	-80	-80
Other comprehensive income	0	0	0	3 244	3 244	0	3 244
Total comprehensive income	0	0	14 125	3 244	17 369	-168	17 201
Balance at 31 December 2020	271 384	104 481	158 366	-17 059	517 170	249	517 420



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Knutsen NYK Offshore Tankers AS Cash flow Statement

USD 1000	Note	2020	2019
OPERATING ACTIVITIES			
Profit before taxes		16 396	-5 169
Paid income tax	17	-2 082	-1 449
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	3	110 864	116 510
Impairment on fixed assets	3	0	-77
Loss on sale of Vessel	3	0	839
Gain on sale Vessel	3	-3 593	0
Income (loss) from investing in associated company	6	-12 363	-14 941
Payments from investments in associated company	6	22 140	22 140
Amortization of deferred debt issuance cost	10	2 292	2 026
Changes in market value of financial curent liabilities	16	6 548	-12
Changes in operating assets and liabilities			
Decrease (increase) in amounts due from related parties		-369	29
Decrease (increase) in inventories		-2 698	-495
Decrease (increase) in other current assets		6 127	-5 973
Decrease (increase) in accounts receivables		6 952	-2 102
Increase (decrease) in trade accounts payable		1 046	-3 542
Increase (decrease) in other liabilities		2 106	8 061
Increase (decrease) in amounts due to related parties		3 381	1 613
Net cash provided by (used in) operating activities		156 747	117 458
INVESTING ACTIVITIES			
Additions to vessel and equipment	3	-504	-9 864
Disposals to vessel and equipment	3	19 210	3 211
Drydock additions	3	-12 272	-9 071
Additions vessel under construction	4	-200 438	-102 939
Sale of business	7	10 725	0
Cash Sale of Business	7	-783	0
Net cash provided by (used in) investing activities		-184 062	-118 663
FINANCING ACTIVITIES			
Proceeds from long-term debt	10	293 658	103 552
Repayment of long-term debt	10	-171 688	-130 627
Repayment of financial lease liabilities	12	-6 395	-6 311
Net change in revolving credit facility	10	-17 400	46 400
Payment of debt issuance cost	10	-3 554	-2 908
Repayment of shareholder loan	10	-39 831	-
Change in restricted cash	9	-193	-16 363
Net cash provided by (used in) financing activities		54 597	-6 257
Net foreign exchange differences		-1 752	1 672
Net increase in cash and cash equivalents		25 530	-5 790
Cash and cash equivalents at the beginning of the period	9	58 441	64 231
Cash and cash equivalents at the end of the period		83 971	58 441



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NOTE 1 Basis of preparation

(Unless otherwise stated, figures are presented in USD 1 000)

This section describes the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is described within the note. We have also detailed below the effects of the new accounting pronouncements adopted in 2020, and new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

Knutsen NYK Offshore Tankers AS (**KNOT**) is a limited liability company with head office in Haugesund, Norway. KNOT and the subsidiaries (**the Group**) operates a shipping business and its main activities are the operation of shuttle tankers and offshore floating, storage and offloading units (FSO).

The consolidated financial statements of Knutsen NYK Offshore Tankers Group are prepared in accordance with International Financial Reporting Standards, as adopted by EU (**IFRS**). The consolidated financial statements are prepared on a going concern basis.

IFRS requires the Management and Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. These have been applied consistently to all the years presented, unless otherwise stated. In determining and applying accounting policies, directors and management are required to make judgements and estimates in respect of items where the choice of specific policy, accounting judgement, estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows and disclosure of contingent assets or liabilities during the reporting period, it may later be determined that a different choice may have been more appropriate.

The Group's critical accounting judgements and key sources of estimation uncertainty are detailed below. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period; they are recognized in the period of the revision and future periods if the revision affects both current and future periods.

Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognized in the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Our critical accounting estimates are important to the portrayal of both our financial condition and results of operations and require us to make subjective or complex assumptions or estimates about matters that are uncertain. Significant items subject to such estimates and assumptions including useful life, residual value of vessels, depreciation of planned maintenance, impairment, contingent liabilities and taxes are items where the use of estimates may have significant impact on reported amounts.

Useful lives of vessels take into account design life, commercial considerations, and regulatory restrictions. Depreciation of our vessels is calculated using the estimated useful life. However, the actual life of a vessel may be different than the estimated useful life, with a shorter actual useful life resulting in an increase in depreciation and potentially resulting in an impairment loss.

The residual value of vessels will also affect ordinary depreciation. The residual value of the Group's vessels is estimated based on the vessel's lightweight tonnage and an estimated steel price at the balance sheet date with deduction of estimated expenses in connection with the future sale.

Depreciation of periodic maintenance is affected by the estimated interval between each dry docking. This interval is determined based on the class certificates for the vessels and experience for the Groups' fleet.

Impairment testing is based on several assumptions. Our estimates of future cash-flows involve assumptions about future hire rates, vessel utilization, operating expenses, drydocking expenditures, vessel residual values and the remaining estimated life of our vessels. Our estimated hire rates are based on rates under existing vessel charters and market rates at which we expect we can re-charter our vessels. Our estimates of vessel utilization, including estimated off-hire time and the estimated amount of time our shuttle tankers may spend operating in the spot market when not being used in their capacity as shuttle tankers, are based on historical experience and our projections of future shuttle tanker voyages. Our estimates of operating expenses and drydocking



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expenditures are based on historical operating and drydocking costs and our expectations of future cost and operating requirements. Assumptions are also made related to the calculation of weighted average cost of capital (WACC). Refer to Note 3 related to impairment of vessels and Note 5 related to impairment of Goodwill.

Contingent liabilities require considerations of possible obligations depending on whether some uncertain future event occurs, or considerations of present obligations where payment is not probable, or the amount cannot be measured reliably.

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

Although these estimates are based on management's best information at the time of preparing the financial statements, actual figures may differ substantially from the estimates.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Basis of consolidation

The consolidated financial statements comprise of the financial statements of Knutsen NYK Offshore Tankers AS and its subsidiaries. Subsidiaries are entities controlled by the Group. Any deviating accounting principles are adjusted for in the consolidation.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group accounts state the total profit and loss and financial position of Knutsen NYK Offshore Tankers AS and its controlling interests as a whole. The consolidated accounts include companies in which Knutsen NYK Offshore Tankers AS has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct or indirect control. Other equity instruments are evaluated when assessing whether control exists.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All inter-company transactions, receivables, liabilities, and unrealized profits, as well as intra-group profit distributions, are eliminated in preparing the consolidated financial statements. The non-controlling interest in equity as well as net income is reported separately in the consolidated financial statements.

The Group's investment in its associates is accounted for under the equity method of accounting (see note 6 "Investments in associates" to the consolidated financial statement).

Foreign currencies

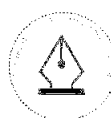
The consolidated financial statements are presented in USD, which is also the Company's functional currency and the functional currency of the majority of the Group's entities. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items such as vessels that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

Income and expenses of subsidiaries with functional currency other than the presentation currency are translated using the monthly average exchange rate. The balance sheet is translated using the balance sheet date exchange rate. The translation differences are recognized in other comprehensive income.

The Group's most used currencies had the following exchange rates towards USD on the balance sheet date:

	USDNOK	EURUSD	USDCAD
Pr 31.12.20	8.5375	1.2305	1.2741
Pr 31.12.19	8.8176	1.1206	1.3050



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Current or non-current classification

Assets are classified as current in the consolidated statement of financial position where recovery is expected within 12 months from the reporting date. All assets where recovery is expected more than 12 months from the reporting date and all deferred tax assets, goodwill, tangible fixed assets (including right-of-use assets) and investments in associated companies are reported as non-current.

Liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For provisions, where the timing of settlement is uncertain, the amount is classified as non-current where settlement is expected more than 12 months from the reporting date.

Cash Flow

The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

Dividends

Dividends are recognized when the shareholder's right to receive the payment is established (by resolution at the general meeting).

Recently Adopted Accounting Standards

The Group has assessed that there are no accounting standards effective from January 1, 2020 that impact the consolidated accounts as of December 31, 2020.

New Accounting Standards not yet adopted

The IASB has issued *Interest Rate Benchmark Reform—Phase 2*, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments are effective from January 1, 2021 and modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships. Furthermore, the amendments focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate due to the reform. Although the Group does not apply hedge accounting, the Group has debt and interest rate swaps that reference LIBOR. The Group is evaluating the impact of the amendments on the consolidated financial statements.

Other recently issued accounting pronouncements are not expected to materially impact the Group.

Note 2 Operating income

Accounting policies

Revenue recognition

The group's operational vessels are hired out on freight charters, time charters (TC), contract of affreightment (COA) and spot basis.

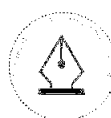
Revenues from time charters

A time charter includes a service (operational management of the vessel) and a bareboat element (rent of the vessel). The bareboat element is not in the scope of IFRS 15 as it constitutes a lease, which is accounted for in accordance with IFRS 16 Leases and is recognised on a straight-lined basis over the time of the time charter arrangement. The service component falls under the scope of IFRS 15, and related revenues are recognized upon the satisfaction of the performance obligations in the contract, i.e. when the underlying services are delivered to the customer.

Revenues from spot-/CoA charters

A spot charter contract and contract of affreightment conveys a transportation service to the customer, as such these contracts fall under the scope of IFRS 15. Revenues are recognized upon the satisfaction of performance obligations i.e., when the underlying transportation service is provided to the customer. Revenues are recognized on a load-to-discharge basis, since this reflects the period over which the charterer is obtaining benefit from the transportation service.

Voyage expenses are all expenses unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. Voyage expenses are paid by the customer under time charters and bareboat charters.



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Voyage expenses are paid by the group for spot contracts and during periods of off-hire and are recognized when incurred. Other revenues from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Insurance claims for property damage for recoveries up to the amount of loss recognized are recorded when the claims submitted to insurance carries are probable of recovery. Claims for property damage in excess of the loss recognized and for loss of hire are considered gain contingencies, which are generally recognized when the proceeds are received.

Revenues

The Groups freight revenues are mainly derived from time charter contracts and CoA charters. The Group does not have a separate revenue stream related to the operational management of the vessels for time charters, and revenues solely derive from long term fixed contracts. As such, theoretical split of time charter revenues into a service component and a lease component is not deemed relevant for the user, and the service element is presented together with the bareboat element of the contract.

The groups revenue from contracts with customers consists of the revenues that do not contain a lease. The split of revenue from time charter contracts and CoA- and spot contracts were as follows:

(USD 1 000)	2020	2019
Revenue from time charter contracts (service element included)	147 912	191 517
Revenue from CoA contracts and spot contracts	62 467	52 955
Total freight income	210 379	244 472

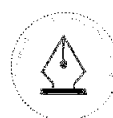
The minimum contractual future revenues to be received from time charter contracts as of December 31, 2020, were as follows (the service element of the time charter included):

(USD 1 000)	Future minimum contractual payment
Within 1 year	107 578
1 to 2 years	355 021
3 to 5 years	373 387
After 5 years	241 037
Total	1 077 023

Freight income from CoA contracts with variable number of earning days is not included in the table above.

Other income (IFRS 15 and insurance recoveries) in 2020 is mainly related to management services delivered to the Group's associated and related companies. For construction contracts, revenue is recognized based on the stage of completion of the project according to IFRS 15. The stage of completion is measured based on costs incurred on the balance sheet date as a percentage of total estimated costs. Insurance recoveries are generally recognized when proceeds are received.

Other income	2020	2019
Income from management services	15 758	11 699
Income from construction contracts	177	177
Insurance recoveries	11 520	6 223
Total other income	27 455	18 099



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Geographic reporting:

The Group's activities are principally distributed geographically across the following sectors: North Europe, West Africa, South America and other sectors. The Group's vessels operate in several geographical areas during the year. Allocation between the different areas is based on freight revenue.

During 2020, the groups three largest clients contributed with a freight income amounted to USD 95 million, USD 31 million and USD 16 million, respectively, which is approximately 68% of the total freight income.

	2020		2019	
North Europe	76 %	160 066	75 %	182 535
West Africa	15 %	31 491	15 %	36 015
South America	8 %	16 346	4 %	9 653
Other	1 %	2 476	6 %	16 269
Total	100 %	210 379	100 %	244 472

NOTE 3 Tangible Fixed Assets

Accounting policies

Vessels

Vessels and equipment are stated at the historical acquisition or construction cost including capitalized interests, supervision and technical services and delivery costs net of accumulated depreciation and impairment loss, if any. Expenditures for subsequent conversions and major improvements are capitalized provided that such costs increase the earnings capacity or improve the efficiency or safety of the vessels.

Depreciation

The estimated economic life of our shuttle tankers and FSOs is 25 years. Depreciation of the shuttle tankers and FSOs is calculated on a straight-line basis using our estimated useful life less the estimated residual value. Our estimated useful life represents our best estimate of the period that we will use the vessel, while the estimated economic life may involve periods that an asset will be used by others or converted to be used in other segments of shipping. Our business model is to provide time charters of five years or more. Charterers prefer newer vessels for long-term charters and prefer vessels less than 20 years of age if available in the market. Accordingly, we have adopted that the estimated useful life or depreciable life of 25 years, while in cases where management has estimated that a vessel will have a shorter lifespan than 25 years, or if we have chartered the vessel out for a fixed contract beyond the vessels age of 25 years, we use our best estimate on the useful life of the vessel. Our current fleet's estimated useful life ranges from 20 to 26 years.

The vessels' residual value at the end of their useful lives is calculated based on the weight of the vessel and estimated steel price on the reporting date. Any cost related to the disposal including positioning the vessel for the sale is deducted from the residual value. The assessment of useful life and residual value is reviewed regularly and at least each financial year-end.

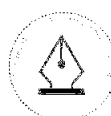
Periodic maintenance

Generally the Group drydocks each vessel every 60 months until the vessel is 15 years old, and every 30 months thereafter as required for the renewal of certifications issued by classification societies. The cost of periodic maintenance is depreciated over the period until the next planned periodic maintenance with dry-docking of the vessel takes place. For vessels that are newly built or acquired, some elements of the vessel's cost is initially allocated to the periodic maintenance component and depreciated on a straight-line basis over the period until the next planned drydocking.

Impairment

At each reporting period date, the Group reviews the carrying amount of its vessels and other tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and an impairment loss is recognized in the income statement.

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Below is an overview of the Groups fixed assets as of December 31, 2020 and 2019.

2020	Vessels	Vessels under construction	Other tangible assets	Total
Cost price 01.01.2020	1 318 881	103 143	614	1 422 638
Additions	12 776	200 438	0	213 214
Transfer	217 967	-217 967	0	0
Disposals	-119 762	0	0	-119 762
Translation adjustment	5 679	0	0	5 679
Cost price 31.12.2020	1 435 541	85 614	614	1 521 769
Acc depreciations/ impairment 01.01.2020	-669 601	0	0	-669 601
Depreciation current period	-103 513	0	-167	-103 680
Acc depreciations/ impairment 31.12.2020	-773 114	0	-167	-773 281
Carrying value 31.12.2020	662 427	85 614	447	748 488

2019	Vessels	Vessels under construction	Other tangible assets	Total
Cost price 01.01.2019	1 341 076	203	1 510	1 342 789
Additions	18 902	102 939	0	121 841
Disposals	-36 605	0	-896	-37 501
Translation adjustment	-4 492	0	0	-4 492
Cost price 31.12.2019	1 318 881	103 143	614	1 422 638
Acc depreciations/ impairment 01.01.2019	-602 500	-77	-227	-602 804
Transferred to Right-of-use assets 01.01.2019	9 812	0	0	9 812
Depreciation current period	-110 205	0	-13	-110 218
Impairment current period	0	77	0	77
Disposals	33 292	0	240	33 532
Acc depreciations/ impairment 31.12.2019	-669 601	0	0	-669 602
Carrying value 31.12.2019	649 281	103 143	614	753 038

Included in additions are capitalized interest of USD 1.3 million and USD 0.9 million, respectively, as of December 31, 2020 and December 31, 2019. For description of pledged assets, see Note 10 – Mortgages, other long-term liabilities and guaranteed liabilities.

Impairment valuation

We have performed an impairment assessment of goodwill – refer to Note 5 below. The group has concluded that there is no need for impairment at the end of 2020. In 2019 there was no impairment.

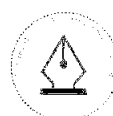
NOTE 4 Vessels under Construction and Conversion

Accounting policies

New building contracts

Instalments on new building contracts are recorded in the balance sheet as fixed assets. Costs related to the on-site supervision and other pre-delivery construction costs, including borrowing cost, are capitalized per vessel under construction. When a new building is delivered from the yard, the depreciation begins.

The Group has five vessels under construction as of December 31, 2020 (four newbuildings as of December 31, 2019). As of December 31, 2020, contractual commitments for the construction of new buildings amounted to USD 504 million. One of the vessels under construction has been delivered in February 2021.



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	2020	2019
Investment in vessels under construction	85 614	103 143

NOTE 5 Goodwill

Accounting policies

The Group measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortization but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash-flows known as cash generating units.

The remaining carrying value of goodwill on December 31, 2020 and 2019 was as follows:

	2020	2019
Balance at December 31.	74 793	74 793

The Group performed an impairment test of the goodwill as of December 31, 2020, in which calculated recoverable amount is the higher of value in use and fair value less costs to sell. Fair value less costs to sell is determined as the average of two independent brokers' estimates, while value in use is the present value of the future cash flows from continuing use and ultimate disposal expected to be derived from the cash generating unit.

The cash generating unit (CGU) is the whole fleet of Knutsen NYK Offshore Tankers Group. The Group have used different discount rates depending on the functional currency of each vessel, and the period that each specific vessel or project generates cash flow, to reflect the difference in the observable risk-free interest rates for the different period of time. This is consistent with management internal reporting and former years assessments.

The cash flows for the remaining useful lives of the vessels are used to calculate the value in use, and are based on future budgets with management's expectations on expected day rates and operating expenses for the tankers being operated by Knutsen NYK Offshore Tankers Group. The Group has used discount rate (WACC) for the corresponding period of cash-flow. The discount rate (WACC) applied is 5.72 % for projects with an expected remaining lifetime of 10 years or more, 5.67 % for 7 to 10 years, 5.60 % for 5 to 7 years, 5.54 % for 3 to 5 years and 5.56 % for up to 3 years cash-flows at the end of 2020. The discount rate (WACC) applied is 6.07 % for NOK project with expected remaining lifetime of 10 years or more (M/T Hanne Knutsen for the Martin Linge field).

Key assumptions used in value-in-use calculation

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rates
- Operating expenses including future drydocking expenses
- Freight rates
- Useful life
- Steel price

Discount rates – Discount rates reflect the current market assessment of the risks specific to the cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital (WACC) for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

The future expected cash flow is based on the Group's long-term budget with an estimated yearly escalation of 2% on the operating expenses. The future expected periodic maintenance expenses are based on expected periodic maintenance expenses in the budget. Freight rates are based on actual contracts or expected market charter rates in the budget. The useful life in the calculations is weighted based on different scenarios with the scenario in the budget as the most likely case. The estimated net selling price at the end of the useful life is calculated as the current steel price less net sales expenses. The Group use the Fearnley's monthly report for scrap price for tank tonnage as estimate for the steel price.



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Sensitivity to changes in assumptions

As of the measurement date, the recoverable amount of the cash-generating unit based on the highest of the value in use and fair value less costs to sell, is higher than the carrying amount relevant for the impairment test. Management believes that none of the anticipated changes in key assumptions, which can rationally be expected, would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

NOTE 6 Investments in Associates

Accounting policies

Investment in associates

The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but does not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. The reporting dates of the associates and the Group are the same and the same accounting policies are applied upon recognition of the associates.

Investments in associates are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses, and equity movements of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term investments is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

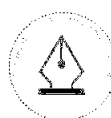
Profits and losses resulting from transaction with associated companies, are recognized in the Group accounts only to the extent of unrelated investors' interests in the associate. The Group share in the associate's profits and losses resulting from these transactions are eliminated. When the Group's investment in an associate is reduced by other than an actual disposal commonly referred to as "deemed disposal", a resulting gain or loss is recognized when the Group continues to apply the equity method.

Entity	Country	Segment	Ownership interest	Carrying amount
KNOT Offshore Partners LP	Marshall Island	Shuttle Tankers	27.84 %	
Investment in associates 01.01.2019				201 629
Dividend 2019				-22 140
Net income from associates 2019				14 941
Investment in associates 31.12.2019				194 428
Dividend 2020				-22 140
Net income from associates 2020				12 363
Investment in associates 31.12.2020				184 651

A summary of financial information for our share of the associate for the year 2020 (27.84% share) and 2019 (27.84% share).

(USD 1 000) based on IFRS	2020	2019
Gross revenue	77 733	78 662
Net income	17 070	16 413
Assets	495 618	483 846
Liabilities	301 427	285 726
Equity	194 191	198 120

KNOT Offshore Partners LP is listed on the New York Stock Exchange and experienced a decrease in its unit price during 2020, in which the unit price was approximately USD 15.1 as of December 31, 2020 (USD 19.8 as of December 31, 2019), implying fair value of the investment of USD 140 million plus the value of the IDR's. Management considered impairment indicators as required by IAS 28, Investments in Associates, and determined the investment was not impaired as of December 31, 2020. Even though the Unit Price has decreased significantly



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in 2020, we do not expect any changes in the underlying operations on the long-term investment, and as of now the management do not expect impairment on the investment in 2021 based on the fall in Unit Price.

NOTE 7 Sale of business

KNOT Offshore Partners LP (KNOP) is listed on New York Stock Exchange. KNOP is a limited partnership whose limited partnership units are available to investors and traded on public exchanges, like corporate shares. KNOT has agreed with KNOP to offer all shuttle tankers with charter contracts of 5 years or more to KNOP at fair value. The partnership agreement restricts KNOT's influence in KNOP, with the consequence that KNOP is not considered under KNOT's control.

In December 2020, the Group offered and KNOP used their right to purchase the Group's interest in KNOT Shuttle Tankers 34 AS the owner of M/T Tove Knutsen. The Group recognized gain on sale of business of USD 11 million through the transaction in 2020. There have not been any sales transactions between the parties in 2019.

NOTE 8 Financial instruments

Accounting policies

Financial assets

The Group's financial assets are; receivables, contract assets, derivative financial instruments and cash and cash equivalents (see note 9).

Financial liabilities

The Group's financial liabilities are; interest bearing loans (see note 10), accounts payables, contract liabilities, accruals and derivative financial instruments with negative market value.

Trade and other receivables:

Trade and other receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade and other receivables are recognized initially at their transaction price, since our receivables do not contain a significant financing component, and are subsequently measured at amortized cost less loss allowance.

Contract assets:

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Impairment:

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognize a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Account payables and other payables

Account payable and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued. Payables are measured at their nominal amount since the effect of discounting is not material.

Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Group fulfils the performance obligation (s) under the contract.

Derivatives:

Derivatives are classified as financial assets/liabilities at fair value through profit and loss.

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The balance and classification of financial assets other than cash and cash equivalents (note 9) on December 31. are presented in the table below:



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	31.12.2020			31.12.2019		
	Amortized cost	Fair value through profit and loss	Total	Amortized cost	Fair value through profit and loss	Total
Financial assets						
Long-term receivables	18	0	18	278	0	278
Financial assets (derivatives)	0	0	0	0	305	305
Total non-current financial assets	18	0	18	278	305	583
Accounts receivables	14 890	0	14 890	21 903	0	21 903
Receivables related parties	1 154	0	1 154	525	0	525
Financial assets (derivatives)	0	0	0	0	463	463
Other receivables*	12 077	0	12 077	18 053	0	18 053
Total current financial assets	28 121	0	28 121	40 481	463	40 944

The balance and classification of financial liabilities other than interest-bearing debt (Note 10) and lease liabilities (Note 12) on December 31 are presented in the table below:

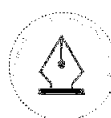
	31.12.2020			31.12.2019		
	Amortized cost	Fair value through profit and loss	Total	Amortized cost	Fair value through profit and loss	Total
Financial liabilities						
Deferred income (contract liability)	1 050	0	1 050	1 192	0	1 192
Financial liabilities (derivatives)	0	6 769	6 769	0	4 873	4 873
Total non-current financial liabilities	1 050	6 769	7 819	1 192	4 873	6 065
Accounts payable	9 534	0	9 534	8 918	0	8 918
Current financial liabilities (derivatives)	0	4 459	4 459	0	4 101	4 101
Other current liabilities to associated companies	5 433	0	5 433	2 057	0	2 057
Other current liabilities	16 783	0	16 783	18 068	0	18 068
Total current financial liabilities	31 750	4 459	36 209	29 044	4 101	33 145

* IFRS 15 requires separation of contract assets and contract liabilities from other assets and liabilities. The contract assets in the group consist of prepayments of revenues in the service element in the time-charter agreements. The contract liabilities in the group consist of prepayments of costs regarding the service element in the time-charters. Due to the limited size of contract assets and contract liabilities, and that the service element is not split in the revenue from leasing contracts, the contract assets and contract liabilities are not separated on an accounting line or split in the notes other than the deferred income presented in the table above.

Based on the simplified approach in calculating the ECL, the Group has the following credit loss allowances on December 31. (for description of credit risk in the Group, see note 11).

	31.12.2020			31.12.2019		
	Gross carrying value	Expected credit loss allowance	Total	Gross carrying value	Expected credit loss allowance	Total
Assets						
Long-term receivables	18	0	18	278	0	278
Trade accounts receivables	14 890	0	14 890	33 838	-11 935	21 903
Receivables related parties	1 154	0	1 154	525	0	525
Other receivables	12 077	0	12 077	18 053	0	18 053
Sum financial assets	28 139	0	28 139	52 693	-11 935	40 759

Based on the historic trend and expected performance of the customers, the Group believes that the above expected credit loss allowance sufficiently covers the risk of default.



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NOTE 9 Cash and Bank Deposit

Accounting policies

Cash and bank deposit

Cash and bank deposit comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Restricted bank deposits

Cash and bank deposits may be restricted for various reasons: it may be used to satisfy the terms of long-term debt obligations, held as security in the form of letter of guarantee or letter of credit, or specifically designated for acquisition or construction of long-term assets held in escrow account.

As at December 31, the balance of cash and bank deposit in the cash flow statement consist of the following:

USD 1 000	2020	2019
Cash and bank deposit	83 971	58 441
Restricted bank deposit	27 219	27 027
Total cash and bank deposit	111 190	85 468

Restricted bank deposits were placed on escrow and a pledged retention account for security for certain guarantees and financing agreements.

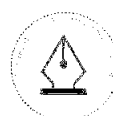
NOTE 10 Mortgages, other long-term liabilities and guaranteed liabilities

Accounting policies

Interest-bearing loan and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, being the fair value of the consideration received, net of issue costs associated with the borrowing. Subsequent to initial recognition, interest bearing debt is stated at amortized cost, using the effective interest method.

	31.12.2020	31.12.2019
Mortgage loans	482 448	314 245
Other interest-bearing loans	60 949	0
Shareholder's Loan	0	39 831
Capitalized borrowing cost	-4 188	-3 801
Total long term interest bearing loans and borrowings	539 210	350 275
Current interest-bearing loans and borrowings	80 221	294 179
Total interest-bearing loans and borrowings	619 431	644 454
Book value of collateral	31.12.2020	31.12.2019
Bank deposits	51 253	74 567
Account receivables	8 139	6 207
Vessels	631 118	759 766
Investments in associates	147 354	155 320
Total booked value	837 864	995 860



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Changes in liabilities arising from financing activities

	January 1, 2020	Sale of business	Cash flow	Amortization of deferred debt issuance costs	Foreign exchange differences	December 31, 2020
Long term liabilities to financial institutions	310 444	-92 295	314 973	2 292	3 796	539 210
First year instalments long term debt	294 179	0	-213 958	0	0	80 221
Lease liabilities	39 453	0	-5 890	0	0	33 563
Shareholder's loan	39 831	0	-39 831	0	0	0
Total liabilities from financing activities	683 907	-92 295	55 294	2 292	3 796	652 994

The Group's external interest-bearing debt is incurred by the ship owning companies and Knutsen NYK Offshore Tankers AS. If there is any debt in the ship owning company, the vessels in the company are typically placed as security for ship mortgages together with the company's cash deposit and normal factoring pledge.

For most of the ship mortgages, Knutsen NYK Offshore Tankers AS has guaranteed the debt in the ship owning companies.

The ship mortgage agreements include various financial covenants and securities but the following requirements tend to be included in the agreements with the Group's banks:

- The charter free market value of the pledged vessel(s) amounts is at least 110 % to 135 % of the outstanding loans
- Minimum liquidity requirements of the borrower ranging from USD 0.25 – 1.0 million

In addition, the following financial covenants tend to be applicable for the Knutsen NYK Offshore Tankers AS (calculated on a consolidated basis for the Group) as guarantor of the loans:

- Working capital: Maintain positive working capital (next 12 months instalments to be excluded from current liabilities)
- Liquidity: Maintain free an available cash and cash equivalents on hand minimum USD 25 million and an amount equal to 4 % of the interest-bearing debt
- Minimum Equity Ratio: Minimum book equity ratio of 30 %

All financial covenants required to the Group's various ship owning companies and Knutsen NYK Offshore Tankers AS as guarantor of the loans, were fully in compliance at December 31, 2020.

The Group has also secured non-amortizing credit facilities and an amortizing revolving credit facility in the total amount of USD 199.9 million at parent level. The amortizing facility and one of the non-amortizing facilities are secured by 6.9 million units in NYSE listed KNOT Offshore Partners LP and the other non-amortizing are unsecured. As of December 31, 2020, USD 164 million of the revolving credit facilities have been drawn.

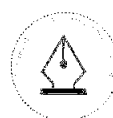
All the Group's external interest-bearing debt was at year-end denominated in USD except for the financing of the M/T Hanne Knutsen which primarily denominated in Norwegian Kroner (NOK) due to the fact that the charter income is denominated in NOK. This secures a natural hedge of the currency risk for the project. The outstanding principal amount of the Martin Linge facility was, at year-end 2020, NOK 1.6 billion (USD 186 million) of which NOK 1.3 billion was denominated in NOK and the remaining part in USD.

On July 30, 2020 the Group through its wholly-owned subsidiary KNOT FSO 2 AS, which owned the M/T Jorunn Knutsen, entered into a sale and leaseback agreement. Based on the contractual terms in the agreement the transaction was not considered a sale, for accounting purposes and the Group has continued to recognize the asset and the corresponding installments has been recognised as a financial liability (Other interest-bearing loans).

NOTE 11 Financial Risk Management

General

The Group is exposed to financial market risk regarding currency interest rates and freight rates through its operations. The financial market risk is monitored continuously and the Group uses financial derivatives to reduce the risk when this is considered to be beneficial. If financial derivatives are appropriate to mitigate risks we favor utilizing conventional derivatives rather than exotic derivatives. In order to avoid counterparty risks, the Group only deals with recognized financial institutions. Derivatives are solely used to manage risk related to fluctuations in interests and currency rates. The Group does not use financial derivatives to achieve financial income if no underlying exposure exists. Management continuously evaluates the effect from financial instruments on the accounts with a view to hedge accounting. Based on this evaluation hedge accounting is not used.



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As with all global shipping activities, our operations are subject to risks related to outbreaks of infectious diseases. Governments in COVID-19 affected countries are, though temporary in measure, imposing travel bans, quarantines and other emergency public health measures. The Group strives to tackle continuous challenges and changes in the Pandemic environment, to ensure safe trading of our vessels with regular crew change, whilst also ensuring that our newbuildings are delivered timely to entertain charter contracts entered into. During 2020, the outbreak did not have a significantly negative effect on the Group's financial performance.

Capital structure

The Group has a capital-intensive business model, in which the capital requirement mainly relates to investments in new vessels, conversion of vessels and repayment of debt. Interest and installments on the long-term financing will normally be repaid with the operating cash flows from the related investments, mainly from cash-flows from the operation of vessels.

The Group aims at securing long-term financing of new investments from acknowledged international financial institutions. The terms of such financing will normally be influenced by the risk profile of the investments itself.

The Group's strategy is to have advanced vessels on long-term charters with first class charters, and this strategy is much appreciated by banks. Due to the fact that the Group has relationships with a long list of top tier banks with a geographical spread. The Group is dependent on the banking market, but has mitigated this dependency by diversifying the bank group, both in numbers and geographical location. Further the Group is exposed to the capital markets by the investment and agreements with KNOT Offshore Partners LP, where KNOT is its sponsor, the general partner (KNOT Offshore Partners GP LLC) and is the largest unit holder.

Credit risk

The Group is exposed to possible losses on accounts receivables. The credit risk within our segment is regarded as very low. The company's debtors are mostly major oil companies, and it is considered fairly unlikely that they will fail to meet their obligations towards us, as this means that they will not be able to transport their crude oil to onshore terminals. Distributing crude oil is imperative for the cash flow of exploration & production companies. The maximum credit exposure is regarded as equal to the size of the gross accounts receivable i.e. USD 14.9 million. The Group is also exposed to possible losses if the agreement counterpart in a derivative contract should fail to fulfill its payment obligations on the settlement date. However the company does not expect any of the parties to fail to fulfill their obligations since derivative contracts are only entered into with recognized financial institutions, and most of the contracts are swaps where the Mark to Market tends to be small compared to the nominal size of the contracts. No particular hedging against credit risk was undertaken in 2020 and 2019. Ongoing provisions are made and historically the loss percentage has been very low. As per 31 December 2020, USD 0 million was allocated for outstanding account receivable (USD 12 million as per 31 December 2019).

Ageing trade accounts receivables pr. 31.12.2020	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months
Trade accounts receivable	12 392	1 910	134	455

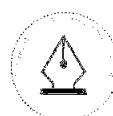
Ageing trade accounts receivables pr. 31.12.2019	Not yet due	0 - 1 month over due	1- 3 months over due	Older than 3 months
Trade accounts receivable	10 896	5 538	8 326	9 077

Interest risk

The Group's exposure to fluctuations in interest rates is mostly due to its long-term liabilities with floating interest rates. With regard to interest rate fluctuations the strategy is to limit the impact on cashflow due to fluctuations in the interest rate level. Depending on the development in the interest market the Group enters into different types of interest rate contracts.

As of December 31, 2020, the Group has entered into 15 fixed interest rate contracts, with 0.5 - 6 years remaining maturity for approximately 45 % of total debt. The remaining 55 % of the mortgage debt has floating interest.

The following table shows the sensitivity of the Group's result before taxes at a reasonable change in the interest rate while all other variables are unchanged:



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Increase/ decrease of basis points		Effect on profit before taxes (USD 1 000)
+ / - 100	2020	+ / -4 291
+ / - 100	2019	+ / -4 217

As of December 31 2020, the interest swaps have a negative value of USD 11.2 million.

Foreign currency risk

The Group's reporting currency is USD as revenues are predominantly denominated in USD. The Group receives revenues and lease income in USD and NOK. Shuttle tankers and ship management fees are normally received in USD. The time charter hire for M/T Hanne Knutsen and crew element of M/T Jorunn Knutsen is received in NOK and some of the management services is received in NOK. If the currency rate in 2020 had been 10 % higher / -lower in 2020 than actual, this would have resulted in USD 6.2 million lower / USD 7.5 million higher revenues (in 2019 similar effect would have been USD 6.3 million lower / USD 7.7 million higher).

Operating expenses are mainly denominated in USD, CAD, DKK and NOK, but the Group also has some costs in EUR and BRL as well as other currencies.

Changes in exchange rates will thus have an effect on the operating expenses of the Group. The primary effect is the development of NOK in relation to USD, as the Group has a large portion of NOK costs while income is almost exclusively USD (apart from M/T Hanne Knutsen). Consequently such currencies fluctuations will affect the Group's profit and loss before tax. In general, a strong USD is positive for the Group as our operating costs become more competitive in relation to our charter income.

In order to reduce foreign exchange risks related to operating expenses, the Group does from time to time enter into foreign exchange swaps where the Group secures NOK and EUR against USD.

The following table shows the sensitivity of the Group's profit and loss before tax, due to changes in NOK, EUR and other currencies versus USD. All other variables remain unchanged. These variations are mainly due to changes in the Group's operating expenses.

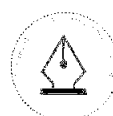
Increase/decrease in all currencies		Effect on profit before taxes (USD 1 000)
+ / - 10%	2020	+ / - 10 191
+ / - 10%	2019	+ / - 13 053

Increase/decrease in NOK		Effect on profit before taxes (USD 1 000)
+ / - 10%	2020	+ / - 6 114
+ / - 10%	2019	+ / - 7 832

Increase/decrease in EUR		Effect on profit before taxes (USD 1 000)
+ / - 10%	2020	+ / -1 529
+ / - 10%	2019	+ / -1 958

Liquidity risk

The Group's strategy is to have sufficient cash and cash equivalents to ensure ongoing operations, future growth, and avoid costs associated with financial distress. The Group monitors the risk of insufficient liquidity by extensive cashflow analysis. Risk management includes maintenance of sufficient liquid assets and the possibility of financing through credit facilities. The Group are continuously working to secure refinance of maturing debt 3-18 months before maturity and for 2021, the Group have no vessel related refinancing coming up for renewal. The following table shows the maturity for the Group's financial obligations based on contractual, undiscounted cash flows:



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Pr. 31.12.2020	2021	2022	2023	2024	2025	2026 and thereafter
Interest bearing loans	82 017	156 063	104 815	94 838	156 637	31 044
Trade accounts payable	9 534	0	0	0	0	0
Interest rate swap expenses	2 989	1 548	790	374	41	-16
Total	94 540	157 611	105 605	95 212	156 678	31 028

Capital management

One of the Group's main goals is to maintain its strong creditworthiness and solidity to support the Group's business and to maximize shareholder value over time. The Group manages and adjusts its capital structure based on changes in economic structures and assumptions.

The Group monitors the capital based on equity versus total assets. The ratio is calculated as booked equity divided by total assets. The aim is to have a ratio above 30 %, which the owners think is prudent and satisfactory given our strong backlog of contracted revenue. This corresponds with the Group covenant requirement in most of the loan agreements.

December 31st	2020	2019
Total equity	517 420	500 218
Total assets	1 216 702	1 226 300
	43 %	41 %

Interest risk

The following table shows the fixed interest contract and the mark to market value:

	Nominal value	Currency	Fixed rate *	Value as at 31.12.2020	Value as at 31.12.2019
Interest swap contract (USD)	162 837	USD	2.76 %	-8 561	-7 389
Interest swap contract (NOK)	800 000	NOK	2.33 %	-2 668	-817

*weighted average

Financing risk

The Group has a solid financial position both in terms of liquidity and solidity. The Group is able to raise debt financing at fairly attractive terms.

Fair value

Estimated market values of financial instruments are determined by comparing the terms of the instruments against the current market rate. The nominal value of cash and loan obligations are a reasonable estimate of the items' market value. The estimated fair value of the Group's long-term loan obligations is based on the interest level at the balance sheet date. The value of the Group's financial derivatives is fixed at the market value on the balance sheet date. A thorough evaluation must be done prior to fixing the estimated market value. The estimates therefore do not necessarily indicate the current value that can be realized if the market is not functioning well. The fair values of the shares in a non-registered organization are estimated in their latest financial report and therefore a thorough evaluation is required prior to estimating the market value.

The fair value of long-term liabilities subject to fixed interest rates is calculated by comparing the Group's terms and the market terms for liabilities with the same terms to maturity and credit risk. As of December 31 2020 the interest swaps have a negative value of USD 11.2 million.

For cash and bank deposits, receivables (including accounts receivables and other receivables), interest bearing debt and payables (including account payables and other current liabilities), the fair value is assessed to approximate the carrying amount. Derivative contracts are recorded at fair value and valued at mark to market. Cash and bank deposits are considered to be at level 1 in the fair value hierarchy, while the others are classified in level 2.

The following tables show the carrying values and fair values of the Group's financial assets and -liabilities:



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	31.12.2020		31.12.2019	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Other long term receivables	18	18	278	278
Accounts receivables	14 890	14 890	21 903	21 903
Financial asset	0	0	463	463
Cash and bank deposits	83 971	83 971	58 441	58 441
Restricted bank deposit	27 219	27 219	27 027	27 027
Receivables associated companies	1 154	1 154	525	525
Other receivables	12 077	12 077	18 053	18 053
Sum financial assets	139 329	139 329	126 690	126 690
Liabilities				
Long-term financial liabilities	6 769	6 769	4 873	4 873
Short-term financial liabilities	4 459	4 101	4 101	4 101
Long-term Interest-bearing loans and borrowings	539 210	539 210	310 444	310 444
Short-term Interest-bearing loans and borrowings	80 221	80 221	294 179	294 179
Other long-term liabilities	0	0	39 831	39 831
Accounts payable	9 534	9 534	8 918	8 918
Other current liabilities to associated companies	5 433	5 433	2 057	2 057
Other current liabilities	16 783	16 783	18 068	18 068
Sum financial liabilities	662 409	662 051	682 471	682 471

NOTE 12 Leases

Accounting policies

The Group assesses whether a contract contains a lease at inception of the contract. The assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the right to direct the use of the asset.

The Group recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less which are expensed in the income statement, on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease. If the rate cannot readily be determined, the Group uses an incremental borrowing for discounting the payments. Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension options if the Group is reasonably certain to exercise.

The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate, or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

The ROU asset is subject to testing for impairment if there is an indicator for impairment as for the owned tangible fixed assets. The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The Group leases one vessel, the M/T Grena Knutsen, and has some office leases and several minor leasing agreements of satellite equipment in the ship-owning companies. The leases are typically made for a period of 5-10 years and include extension options which provide operational flexibility.



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The lease payments of principal and interest for the financial year 2020 and 2019 were as follows (excluding short term leases):

	2020	2019
Repayment of principal	6 568	6 311
Interest	1 799	2 090

In addition, the Group has paid USD 4.9 million in 2020 and USD 16 million in 2019 in short term lease of M/T Windsor Knutsen which has been on a time charter from KNOT Offshore Partners Group from March 2019 until end of March 2020.

The future minimum rents at December 31 related to non-cancellable leases fall due as follows (excluding short term leases):

(USD 1 000)	Future minimum lease payment	Interest	Present value of min. lease payments
2021	8 347	1 487	6 860
2022	8 329	1 163	7 165
2023	21 608	250	21 358
2024	301	6	295
2025	0	0	0
Carrying value at December 31, 2020 for lease liabilities			42 246

For the office rent, there are some variable lease payment elements in the contract as adjustments based on index regulations and some foreign exchange effects, since the lease payments are made in NOK, but based on the limited size of the lease commitments this is considered to be immaterial.

There are no significant lease commitments, that did not commence at year-end.

Right-of-use assets consists of the financial lease of M/T Grena Knutsen, office leases and some satellite equipment.

2020	Vessel	Leased equipment	Office leases	Total right-of-use assets
Cost price 01.01.2020	44 911	1 489	2 002	48 401
Additions	0	0	0	33
Cost price 31.12.2020	44 911	1 489	2 002	48 401
Acc. depreciation	-15 384	-372	-348	-16 104
Depreciation current period	-6 592	-372	-348	-7 312
Acc. depreciation 31.12.2020	-21 976	-744	-696	-23 416
Carrying value 31.12.2020	22 935	744	1 306	24 985

For description of assets pledged, see Note 10 - Mortgages other long-term liabilities and guaranteed liabilities

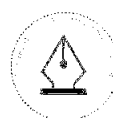
NOTE 13 Stores

Accounting policies

Stores

Store consists mainly of bunkers and lubricant oil onboard the vessels. Store is valued at cost as it is part of delivery of services. The cost of stores is based on the first-in first-out principle.

Bunkers on vessels chartered out on time-charter contracts, are sold to the customer at the start of the charter period and the customer are responsible for the consumption and bunkering during the charter period. Bunkers



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used during CoA voyages are invoiced to the customers at our cost after finalizing the voyage. Stores at the balance sheet dates consists of:

	2020	2019
Bunkers	4 761	4 852
Lube oil	1 477	1 407
Total stock	6 238	6 259

NOTE 14 Related Party Information

Related parties

Knutsen NYK Offshore Tankers AS (KNOT) is owned 50% by TS Shipping Invest AS and 50% by NYK Holding (Europe) B.V. (a part of the NYK Group).

TS Shipping Invest AS is controlled by Trygve Seglem (Director, President and CEO of KNOT and TS Shipping Invest AS). All companies in which Trygve Seglem, directly or indirectly, control or companies in which Trygve Seglem has material influence is considered as related party to the company and group. Trygve Seglem controls, among others, Knutsen OAS Shipping AS, Knutsen OAS Management AS, Knutsen OAS Crewing AS, SIA Knutsen Eastern Europe, Knutsen OAS ML AS and Knutsen OAS Offshore AS, which in 2020 as well as in 2019, delivered management services and/or crewing services to the group.

Knutsen NYK Offshore Tankers AS owns units in KNOT Offshore Partners LP (27.84 % of the general partner and common units) and deliver different management services to the companies in that group.

Group activities include transactions with related companies and parties. All services between related parties are based on an arm's length principle with pricing based on costs incurred and allowing for a profit margin.

Transactions with related parties

Management services

Some services will be taken care of for KNOT Management AS by employees from the TS Shipping Invest Group. The services will include hire of crew, HSSE and QA, purchasing, new building supervision, IT services, accounting and administration services. All services are accounted for at cost plus profit margin. Knutsen NYK Offshore Tankers Group hires property from Seglem Eiendom Group, a group controlled by Trygve Seglem and his family including the Director of the Board, Jorunn Seglem.

	2020	2019
New building supervision fee to TSSI Group (1)	5 381	4 600
Hire project personnel from TSSI Group	567	389
Hire administration services from TSSI Group	5 736	6 463
Hire crew from TSSI Group	21 293	20 745
Hire administration services from NYK Group	422	447
Vessel hire from KNOP Group	4 883	15 910
Management services to KNOP Group	8 585	8 472
Management services to TSSI Group	26	12
Management services to NYK Group	571	1 091
Hire of property from Seglem Eiendom Group	382	493
Hire of property and cars to NYK Group	102	12
Other operating expenses with other related parties (2)	392	0

(1) fee for new building supervision are activated on the vessel under construction as paid.

(2) Includes simulation, operational training assessment and other certified maritime courses for seafarers in addition to electrical installations on ships/offshore installations provided by companies where Trygve Seglem, his family and members of the TSSI management have significant influence.



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A number of the Contracts of Affreightment (CoA) of which the operating subsidiaries vessels are servicing are formally entered into by either Knutsen OAS Shipping AS and/or Knutsen OAS (UK) Ltd. with end users. The CoA is formally not transferred but the economic effect of the contracts have been transferred to the operating entities in KNOT, and a process to agree memorandum to the original agreements that the contracts will be transferred to KNOT Group.

Guarantees

TS Shipping Invest Group have issued guarantees as security for some of the loan agreements and charter parties entered into by the operating companies which will be discontinued as soon as practical and acceptable for the third parties. There have been paid a guarantee fee of 0.5 % pro anno of the guaranteed amount, total guarantee fee paid to TS Shipping Invest AS during 2020 is USD 0.1 million (in 2019 USD 0.1 million). The performance guarantees have not been priced. As of December 2020, TS Shipping Invest Group has guaranteed for USD 10 million of the debt in KNOT Group.

TS Shipping Invest Group has also guaranteed for payments to the yard for three of the new-buildings in the Group, which is calculated in the same way as for the guarantees for the loan agreements. Total paid guarantee fees related to this agreement in 2020 is USD 0.8 million. As of December 31, 2020 TS Shipping Invest Group has guaranteed USD 80.8, USD 83.3 and USD 87.4 million respectively related to ship building contracts.

Pursuant to the Omnibus Agreement with KNOT Offshore Partners LP, KNOT indemnifies KNOP for a period of at least three years after our sale of vessels to KNOP against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to KNOP, to the extent arising prior to the time they were contributed or sold to KNOP. There is an aggregate cap of USD 5 million on the amount of indemnity coverage provided by KNOT for environmental and toxic tort liabilities. No claim may be made unless the aggregate USD amount of all claims exceeds USD 0.5 million, in which case KNOT is liable for claims only to the extent such aggregate amount exceeds USD 0.5 million.

KNOT also indemnifies KNOP for liabilities related to:

- certain defects in title to the assets contributed or sold to KNOP and any failure to obtain, prior to the time they were contributed to KNOP, certain consents and permits necessary for KNOP to conduct their business, which liabilities arise within three years after KNOP's purchase of the vessel, as applicable; and
- certain tax liabilities attributable to the operation of the assets contributed or sold to KNOP prior to the time they were contributed or sold.

Related party inter-company balances

At year end the following open short term ordinary operating receivables (+) and -payables (-) have been booked into the accounts to TS Shipping Invest Group and KNOP Group companies:

	Accounts receivables	Accounts payable
Total related parties	906	2 358

NYK and TSSI have from time to time given shareholders loans to the Group. As of December 31, 2019 there is one USD 40 million shareholders loan, drawn USD 40 million, provided to KNOT FSO 1 AS and guaranteed by Knutsen NYK Offshore Tankers AS and 50 % guaranteed from TS Shipping Invest AS. The loan bears an interest of USD LIBOR plus 4.5%. The loan was repaid in March 2020.

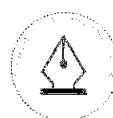
Other long- and short-term balances are presented with separate lines in the statements of financial position.

Receivables and other current liabilities to associated companies/related parties

Other current liabilities to associated companies/related parties includes the post-closing settlement amount of \$3.6 million related to the acquisition of the M/T Tove Knutsen, refer to Note 7.

Transactions with key management personnel

Trygve Seglem is the President, CEO and Board member of Knutsen NYK Offshore Tankers AS (the Company). He and his family are also the sole proprietor of TS Shipping Invest AS. Trygve Seglem has received salary payment from KNOT Group during 2020 as President and CEO, see note 15.



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Regarding purchase and sale of companies and assets transactions with KNOT Offshore Partners LP, see Note 7.

NOTE 15 Operating expenses vessels, other expenses, wages, employees and distinctive contributions

Accounting policies

Operating expenses

Vessel operating expenses include crewing, repairs and maintenance, insurance premiums, stores, lubricating oils and communication expenses. Vessel operating expenses are paid by the group for time charter contracts, CoA, spot contracts and during off-hire and are recognized when incurred.

Operating expenses, vessels	2020	2019
Technical cost	27 239	23 177
Bunkers and lubricating	1 904	2 035
Insurance	3 838	3 257
Total operating expenses vessels	32 981	28 469

Other expenses related to construction contract	542	105
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Wages and personnel cost	2020	2019
Wages	9 212	8 556
Social security	562	652
Pension costs	656	858
Other benefits	76	211
Hire administrative personnel	6 327	7 291
Crew cost paid by third party	-5 051	-4 251
Hire personnel vessels	46 077	46 620
Total personnel, cost	57 859	59 937
Average number of man-labour years	102	97

The crew members onboard vessels are hired from the ship managers or the ship managers crewing agents. Ship managers are listed below:

- Canship Ugland Ltd. – M/T Jasmine Knutsen, M/T Heather Knutsen and M/T Gerd Knutsen until the sale of the vessel
- KNOT Management Denmark A/S – M/T Dan Eagel until final demolition in January 2020 and M/T Gijon Knutsen from January 2020
- KNOT Management AS – the remaining vessels

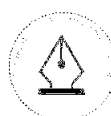
KNOT Management AS and KNOT Management Denmark A/S are consolidated into the group accounts. KNOT Management AS has no crew employed. Most of the crews on board KNOT Management AS managed vessels are hired from TS Shipping Invest Group or companies related to that group.

The pension plans in the Norwegian companies meet the Norwegian requirements for a mandatory company pension (OTP).

Remuneration to executives, board of directors and auditor

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
2020	0	1 609	60	37
2019	0	1 955	51	288

There are no distinctive agreements regarding remuneration for the Chairman of the Board and neither are there any distinctive bonus or option programs for any Board Member or Group management. No loans have been given to the company management. The President and CEO has an agreement securing 12 months' salary.



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	2020	2019
Audit fees	177	168
Other assurance services	31	46
Tax services	2	19
Total	209	233

Audit fees relates to statutory audit of accounts. Fee for tax services primarily relates to tax compliance services, while other assurance services relates to attestation services and accounting consultations on accounting matters.

NOTE 16 Financial Items

Accounting policies

Financial income and financial expenses

Financial income/-expenses are recognized in the income statement as they accrue, using the effective interest method.

	2020	2019
Financial income		
Bank interest	277	2 107
Realized gain on foreign exchanges rate contracts	595	0
Other interest	2	2
Total financial income	874	2 109
Financial expenses		
Interests on debt and borrowings	-9 840	-24 500
Interest rate swap expenses	-7 124	-3 487
Realized loss on foreign exchanges rate contracts	-14	-855
Interests on lease liabilities	-1 800	-1 931
Other financial expenses	-11 889	-7 133
Total financial expenses	-30 667	-37 906

NOTE 17 Taxes

Taxes

The tax expense in the financial statements consists of taxes payable and changes in deferred taxes.

Companies taxed under the Norwegian tonnage tax regime are not taxed on its net operating profit. Taxation under the tonnage tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. Net financial income is taxed on a current basis off 22 %.

Deferred tax is calculated using the liability method at 22 % of all temporary differences between the taxable value of assets and liabilities, and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease taxes that can be legally offset and are intended to be settled net are recorded net.

Deferred tax is calculated for assets and liabilities for which future realization will lead to payable tax.

Deferred tax assets are recognized to the extent that it's probable that adequate taxable profit will be generated to recover the tax asset. Anticipated utilization of tax losses is not discounted when calculating the deferred tax asset.

Tonnage tax paid under the tonnage tax regime is classified as operational expenses.



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	2020	2019
Taxes payable (including correction tax)	34	173
Change in deferred taxes	272	-978
Withholding taxes	58	51
Paid taxes	2 024	1 398
Paid tax which will be refunded	0	-765
Refunded Canadian tax	0	-2 287
Currency differences	-30	28
Tax on ordinary result	2 358	-2 380

Spesification of tax

Ghana tax - ordinary regime	1 835	633
Currency differences	-30	28
Brazilian tax - ordinary regime	174	199
Norwegian tax - ordinary regime	379	-3 240
Total tax on ordinary result	2 358	-2 380

Temporary differences:

Vessels	-24 563	-47 419
Gain and loss accounts	-16 661	-53
Mortgage debt	796	-10 884
Limited partnership shares	23 589	32 707
Financial current assets/-liabilities	-6 432	-4 877
Tax loss carried forward	-133 150	-128 157
Other	-17 296	-16 272
Total temporary differences	-173 717	-174 955

Tax effect of temporary differences:

	2020	2019
Vessels	-5 404	-10 432
Gain and loss accounts	-3 665	-12
Mortgage debt	175	-2 394
Limited partnership shares	5 190	7 195
Financial current assets/-liabilities	-1 415	-1 073
Tax loss carried forward	-29 293	-28 194
Other	-3 805	-3 580
Deferred tax, net	-38 218	-38 490

Changes in deferred tax in the balance sheet

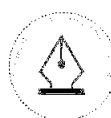
Opening balance deferred tax	-38 490	-37 512
Booked to profit and loss	272	-978
Ending balance deferred tax	-38 218	-38 490

Payable tax in the balance sheet consist of

Other payable corporation tax	144	173
Total payable tax in the balance sheet	144	173

Analysis of effective tax rate

22 % of pre-tax result	3 607	-1 137
Paid tax Ghana from earlier years	1 578	0
Paid Canadian tax	0	-2 287
Currency effect deferred taxes	-2 394	1 326
Permanent differences / Norwegian tonnage tax regime	-433	-281
Estimated tax	2 358	-2 380



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The corporate income tax rate in Norway was 22 % in 2020 and 2019. Deferred tax on differences in values in associated companies with foreign partnerships has been included in the Group accounts. Further, deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

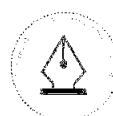
Deferred tax assets from losses carried forward in companies under ordinary tax regime in Norway, are recognized based on the fact that companies under ordinary tax regime are expected to have taxable income in the future.

NOTE 18 Group Companies

The below companies are the Group's subsidiaries included in the financial statement. The Group companies' financial statements can be requested at the head office in Haugesund.

SUBSIDIARIES INCLUDED IN THE FINANCIAL STATEMENT

Subsidiaries and sub-subsidiaries	Owner	Main activity	Company share capital	Annual results (statutory accounts)	Equity as of 31.12.20 (100%)
Knutsen Offshore Tankers 2 AS	Knutsen NYK Offshore Tankers AS	Holding company of 50% Knutsen Bøyelaster VI KS and Knutsen Shuttle Tankers 2 AS.	NOK 108 746 690	NOK -74 025 329	NOK 52 151 535
KNOT Management AS	Knutsen NYK Offshore Tankers AS	Management company in Norway	NOK 100 000	NOK 71 638 729	NOK 30 417 536
KNOT Management Denmark A/S	KNOT Management AS	Management company in Denmark	DKK 500 000	DKK 524 259	DKK 2 233 269
KNOT Management do Brasil Ltda	KNOT Management AS	Management services in Brazil	BRL 2 789 532	BRL 280 907	BRL 114 146
Knutsen Atlantic Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 1 176 000	NOK 2 647 543	NOK 1 176 000
Knutsen Canadian Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 1 176 000	NOK 1 172 139	NOK 1 176 000
Knutsen Newfoundland Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 200 000	NOK -109 706	NOK 200 000
Knutsen Shuttle Tankers Pool AS	Knutsen NYK Offshore Tankers AS	Pool company for group vessels in CoA trade	NOK 1 000 000	NOK 0	NOK 1 000 000
Knutsen Shuttle Tankers 2 AS	Knutsen Offshore Tankers 2 AS	Owner of M/T Loch Rannoch	NOK 100 000	NOK 6 646 550	NOK 61 107 260
Knutsen Shuttle Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Anneleen Knutsen, M/T Betty Knutsen, M/T Gijon Knutsen and M/T Siri Knutsen	NOK 300 000	NOK -19 068 057	NOK 424 215 847
Knutsen Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of 90% of Knutsen Shuttle Tankers Ghana Limited	NOK 100 000	NOK 6 009 901	NOK 2 082 988
Knutsen Shuttle Tankers Ghana Limited	Knutsen Tankers 3, AS (90%)	Operation of shuttle tankers in Ghana	USD 222 000	USD 772 929	USD 4 998 976
Knutsen Bøyelaster VI KS	Knutsen NYK Offshore Tankers AS (50%), Knutsen Offshore Tankers 2 AS (50%)	Under liquidation	NOK 10 054 450	NOK 23 808 918	NOK 10 054 450

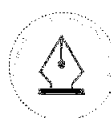


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KNOT FSO AS	Knutsen NYK Offshore Tankers AS	Owner of KNOT FSO 1 AS and KNOT FSO 2 AS	NOK 100 000	NOK -7 521 056	NOK 1 114 965 843
KNOT FSO 1 AS	KNOT FSO AS	Owner of M/T Hanne Knutsen	NOK 100 000	NOK 24 924 274	NOK 1 203 931 517
KNOT FSO 2 AS	KNOT FSO AS	Owner of M/T Jorunn Knutsen	NOK 100 000	NOK -23 107 361	NOK 475 604
KNOT Shuttle Tankers 22 AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 100 000	NOK 35 892 917	NOK 59 771 744
KNOT Shuttle Tankers 23 AS	Knutsen NYK Offshore Tankers AS	Bare-boat owner of M/T Grena Knutsen	NOK 100 000	NOK 28 151 287	NOK 100 000
KNOT Shuttle Tankers 27 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull N728	NOK 100 000	NOK -759 140	NOK 156 906 830
KNOT Shuttle Tankers 28 LP AS	Knutsen NYK Offshore Tankers AS	Holding company of Luky KS and KNOT Shuttle Tankers 28 GP AS.	NOK 100 000	NOK 783 891	NOK 335 346 915
KNOT Shuttle Tankers 28 GP AS	KNOT Shuttle Tankers 28 LP AS	General partner in Luky KS	NOK 100 000	NOK -362 734	NOK 33 278 879
KNOT Shuttle Tankers 29 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Jasmine Knutsen	NOK 100 000	NOK -14 115 807	NOK 218 185 386
KNOT Shuttle Tankers 31 AS	Knutsen NYK Offshore Tankers AS (89%) and KNOT Shuttle Tankers 23 AS (11%)	Owner of M/T Tuva Knutsen	NOK 100 000	NOK -1 688 214	NOK 177 924 511
KNOT Shuttle Tankers 33 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Heather Knutsen	NOK 200 000	NOK -78 809	NOK 216 304 646
KNOT Shuttle Tankers 35 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Synnøve Knutsen	NOK 30 000	NOK -38 806 239	NOK 160 333 271
KNOT Shuttle Tankers 36 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK -50 401	NOK 60 000
KNOT Shuttle Tankers 37 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull N786	NOK 30 000	NOK -1 196 720	NOK 56 193 351
KNOT Shuttle Tankers 38 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK -26 457	NOK 60 000
KNOT Shuttle Tankers 39 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK -26 457	NOK 60 000
KNOT Shuttle Tankers 40 AS	Knutsen NYK Offshore Tankers AS (90%) and KNOT Shuttle Tankers 23 AS (10%)	Newbuilding tender activity	NOK 100 000	NOK -17 583	NOK 61 209
KNOT Shuttle Tankers 41 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull 5482	NOK 30 000	NOK -1 102 598	NOK 290 286 447
KNOT Shuttle Tankers 42 AS	Knutsen NYK Offshore Tankers AS	Contracted Hull 5483	NOK 30 000	NOK -1 111 257	NOK 290 302 797



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Luky KS	KNOT Shuttle Tankers 28 GP AS (10%) KNOT shuttle Tankers 28 LP AS (90%)	Owner of M/T Karen Knutsen and M/T Sallie Knutsen	NOK 392 000 000	NOK -40 578 757	NOK 257 579 556
KNOT Offshore Partners GP LLC	Knutsen NYK Offshore Tankers AS	General Partner of KNOT Offshore Partners LP	USD 4 241 000	USD 1 474 101	USD 15 728 908

All the companies are Norwegian companies and have registered office in Haugesund, Norway, except, for KNOT Management do Brasil Ltda., the Brazilian company whose office is registered in Rio de Janeiro, KNOT Management Denmark A/S, the Danish company whose office is registered in Copenhagen, Knutsen Shuttle Tankers Ghana Limited, the Ghanaian company whose office is registered in Takoradi and KNOT Offshore Partners GP LLC, the Marshall Islands company, whose office is registered in Aberdeen, UK.

*Knutsen Shuttle Tankers Ghana Limited is owned 10% by the general manager of the company, all the other companies are 100% owned by the Group.

NOTE 19 Shareholder Information and Dividends

Share Capital

Share capital consists of 106 790 960 shares with face value NOK 15.

Name of shareholder	Number of shares	Ownership - share in %
NYK Holding (Europe) B.V.	53 395 480	50 %
TS Shipping Invest AS	53 395 480	50 %
Total shareholders	106 790 960	100 %
Total Norwegian shareholders	53 395 480	50 %
Total foreign shareholders	53 395 480	50 %

Shares owned by the board of directors and the management	Number of shares
<i>The board of directors</i>	
Trygve Seglem (indirect via TS Shipping Invest AS)	37 376 836
Jorunn Seglem (indirect via TS Shipping Invest AS)	8 009 322
Total	45 386 158

NOTE 20 Commitments and Contingent Liabilities

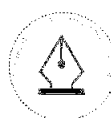
Accounting policies

Provisions

Provisions are recognized in the financial statements if the Group considers it probable, there is a legal or constructive obligation as a result of past events, that an outflow of resources will be required to cover its liabilities and if the amount can be reliably estimated. All provisions are reviewed each balance sheet date and adjusted, if necessary, to reflect a more accurate estimate. In instances where the timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities. Provisions are not made for future operating losses. Contingent liabilities are disclosed unless the possibility of an outflow of economic resources is remote.

Claims and legal proceedings

The Group is from time to time involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position, results of operations or cash-flows.



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NOTE 21 Subsequent Events

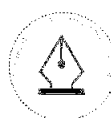
The Group has evaluated subsequent events from the balance sheet date through March 23, 2021, the date at which the audited consolidated financial statements were available to be issued, and determined that there are no other items to disclose, except as follows:

On January 4, 2021, Petróleo Brasileiro S.A. – PETROBRAS took delivery of M/T Synnøve Knutsen on the existing time charter contract, M/T Sallie Knutsen was redelivered from the same contract January 12, 2021. The contract will end in May 2021.

On February 1, 2021 the Group took delivery of M/T Tuva Knutsen, and after testing and bunkering in Singapore on her mobilization to Brazil, she started on the long-term time charter contract with a subsidiary of Total. The Group agreed to a USD 88 million long-term loan facility agreement for the vessel before the delivery with a syndicate of financial institutions.

On February 28, 2021, Tullow Oil Ghana Limited redelivered M/T Heather Knutsen from the long term time charter contract servicing the Jubilee oil field and the vessel mobilized for joining the North Europe fleet of Knutsen Shuttle Tankers Pool AS.

The macro-economic uncertainty and the impact for the operation of our global fleet of the coronavirus (COVID-19) is still unpredictable. The scale and duration of this development remains uncertain and could materially impact our crew and officer's, earnings, operating expenses and cash flow.



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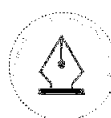
KNOT Knutsen
NYK Offshore
Tankers

Annual Report 2020

Company Account

Knutsen NYK Offshore Tankers AS

www.knotgroup.com



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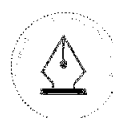
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Knutsen NYK Offshore Tankers AS

Profit and loss statement

NOK 1	Note	2020	2019
OPERATING INCOME			
Revenue		122 149 545	0
Other operating income		0	783
Gain sale of vessel		76 478 366	0
<i>Operating income</i>		<u>198 627 911</u>	<u>783</u>
OPERATING EXPENSES			
Crew-hire		13 940 371	0
Ordinary depreciation		15 007 935	0
Administration expenses	6,7	9 269 981	3 433 687
Other operating expenses		16 285 423	0
<i>Operating expenses</i>		<u>54 503 710</u>	<u>3 433 687</u>
Operating result		<u>144 124 201</u>	<u>-3 432 904</u>
FINANCIAL INCOME AND EXPENSES			
Financial income	8	501 267 159	739 553 132
Foreign exchange gain/-loss		112 215 920	-26 824 579
Financial expenses	8	-148 931 259	-251 917 033
<i>Net financial income and expenses</i>		<u>464 551 820</u>	<u>460 811 520</u>
Profit before tax		<u>608 676 022</u>	<u>457 378 617</u>
Tax	10	127 985 921	37 352 239
Profit for the period		<u>480 690 101</u>	<u>420 026 378</u>



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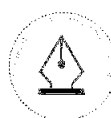
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Knutsen NYK Offshore Tankers AS

Statements of financial position

NOK 1	Note	31.12.2020	31.12.2019
ASSETS			
<u>FIXED ASSETS</u>			
Deferred tax asset	10	0	14 127 805
Investments in subsidiaries	2	4 865 424 492	4 403 730 186
Loans to group companies		57 755 025	547 467 159
Investments in associated companies	2	1 032 636 491	1 032 636 491
<i>Total fixed assets</i>		<u>5 955 816 008</u>	<u>5 997 961 641</u>
<u>CURRENT ASSETS</u>			
Other short-term receivables		60 053	44 567
Receivable related parties		329 773	0
Group receivables		41 732 362	145 000 515
Group contributions		245 836 076	241 996 073
Dividend		51 553 822	0
Cash and bank deposits	3	219 470 801	92 072 362
<i>Total current assets</i>		<u>558 982 887</u>	<u>479 113 517</u>
TOTAL ASSETS		<u>6 514 798 895</u>	<u>6 477 075 159</u>



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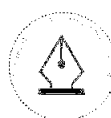
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Knutsen NYK Offshore Tankers AS

Statements of financial position

NOK 1	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Share capital		1 601 864 400	1 601 864 400
Share premium		598 428 328	598 428 328
<i>Total paid-in capital</i>		<u>2 200 292 728</u>	<u>2 200 292 728</u>
Other equity		1 746 494 076	1 472 753 054
<i>Total other equity</i>		<u>1 746 494 076</u>	<u>1 472 753 054</u>
Total Shareholders' Equity	4, 9	<u>3 946 786 804</u>	<u>3 673 045 782</u>
<u>LONG TERM LIABILITIES</u>			
Deferred tax	10	11 642 302	0
Financial liabilities		7 885 597	27 048 148
Liabilities to financial institutions	5	1 389 553 673	1 595 385 286
Group debt		734 881 117	406 375 620
<i>Total long term liabilities</i>		<u>2 143 962 689</u>	<u>2 028 809 054</u>
<u>CURRENT LIABILITIES</u>			
Trade creditors		1 201 535	46 277
Accrued interest		4 679 239	10 119 099
Current liabilities group		1 273 897	497 721
Group contributions		386 115 727	764 482 947
Current liabilities to related parties		30 779 004	74 279
<i>Total current liabilities</i>		<u>424 049 402</u>	<u>775 220 323</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>6 514 798 895</u>	<u>6 477 075 159</u>



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Svein Steimler
Chairman of the Board

Haugesund, March 23, 2021

Trygve Seglem
Board member, President & CEO

Lelf Teksum
Board member

Takashi Dorayo
Board member & EVP

Akira Kono
Board member

Jorunn Seglem
Board member



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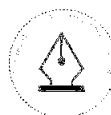
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Knutsen NYK Offshore Tankers AS

Cash flow statement

NOK 1	31.12.2020	31.12.2019
The result for the year before taxes	608 676 022	457 378 617
Write-downs/-Reversal write-downs	-32 765 372	-222 338 892
Changes in accounts receivables	-15 486	-161 473
Changes in accounts payable	1 155 258	314 351
Changes in current receivables/payables to related parties	30 374 952	267 838
Changes in current group receivables/payables	102 651 281	-154 397 145
Foreign exchange gain/loss effects	-124 150 747	27 282 024
Elements classified as investments/financing activities	-74 986 188	-64 013 432
Changes in other current assets and liabilities	-5 439 860	-1 948 245
Net cashflow from operations	505 499 860	42 383 644
Sale and liquidation of subsidiaries	178 621 505	20 000
Repayment of equity from investments	388 655 315	324 438 090
Incorporation and acquisitions of subsidiaries	-50 485 914	-220 000
Capital injections and group contributions to subsidiaries	-1 670 730 704	-996 661 090
Net change in loans to subsidiaries	489 712 134	225 767 788
Net cashflow from investments	-664 227 664	-446 655 211
Net change of drawn amount under revolving credit facilities	-162 420 875	400 454 860
Net change in loans received from subsidiaries	444 042 379	-39 887 069
Net cashflow from financing	281 621 504	360 567 791
Effect of exchange rate changes on cash and cash equivalents	4 504 739	4 190 956
Net change in cashflow for the year	127 398 439	-39 512 820
+ Cash balance per 01.01.	92 072 362	131 585 181
= Cash Balance per 31.12.	219 470 801	92 072 362



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NOTE 1 Accounting Principles

The financial statement is prepared in accordance with the fundamental accounting principles as laid out by the Norwegian Accounting Act of 1998 and generally accepted accounting standards in Norway.

Investment in subsidiaries and associated companies

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a latter period.

Current assets/current liabilities

Current assets are valued at the lower of historical and market value in the balance sheet. Current liabilities are in the same manner valued at the higher of cost and market value. This principle is not used for current items in foreign currency, which is valued at the rate of exchange at the year-end.

Tax

Tax calculated and reported to the Profit & Loss account includes both tax payable during the period, and the change in deferred tax. Deferred tax is treated as long-term debt provisions in the balance sheet.

Deferred tax is calculated with 22% based on temporary differences existing at the year-end between financial and taxable values, and the taxable deficit carried forward. Tax increasing and -reducing temporary differences, which will or can be reversed in the same period, are netted. Deferred tax on surplus values in relation to acquisition of subsidiaries is not netted.

Deferred tax related to acquisitions is calculated to nominal values according to Norwegian common practice according to "NRS Resultatskatt".

Fixed assets

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.

Transactions in foreign currency

The income received in USD is recorded at the rate of exchange on the day the transaction is carried out.

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

The mortgage debt is valued at the historical rate, to the extent that future net nominal income flow in the same currency exceeds the borrowed amount. To the extent that long-term debt exceeds the net nominal income flow, the unrealized foreign exchange loss on the exceeding amount is recorded.

Knutsen NYK Offshore Tankers AS finance the purchase and equity funding of subsidiaries and associated companies with loans in USD. USD is the functional currency for the majority of the subsidiaries and associated companies. Loans are valued at the rate of exchange at the year-end. Shares in limited companies and shares in subsidiaries and associated companies are valued including any currency gain or loss.



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Financial Instruments

The treatment of foreign exchange and interest rate instruments depends on the intention behind the agreement.

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

Related party transactions

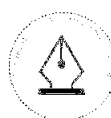
The Company has undertaken several agreements and transactions with related parties in the Group. The level of fees is based on market terms and are in accordance with the arm's length principle. KNOT Management AS delivers ship management services for the Company's vessel(s). Ship management fee includes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

Cash flow analysis

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities.

NOTE 2 Shares in Subsidiaries

Subsidiaries	Total share capital	Owner- and voting share	Number	Face value	Equity 31.12	Last years result	Book value in KNOT AS
Knutsen Offshore Tankers 2 AS	108 746 690	100 %	108 746 690	1	52 151 535	-74 025 329	53 344 423
Knutsen Shuttle Tankers 3 AS	300 000	100 %	300	1 000	424 215 847	-19 068 056	797 223 167
KNOT Offshore Partners GP LLC	USD 4 241 000	100 %	5 340	N/A	USD 15 728 908	USD 1 474 101	70 981 327
KNOT Management AS	100 000	100 %	100	1 000	30 417 536	71 638 729	17 136 264
KNOT Shuttle Tankers 23 AS	100 000	100 %	100	1 000	100 000	28 151 287	8 122 879
KNOT Shuttle Tankers 28 LP AS	100 000	100 %	100	1 000	335 346 915	783 891	504 817 447
KNOT Shuttle Tankers 27 AS	100 000	100 %	100	1 000	156 906 830	-759 140	157 991 580
KNOT Shuttle Tankers 22 AS	100 000	100 %	100	1 000	59 771 744	35 892 917	120 000
KNOT FSO AS	100 000	100 %	100	1 000	1 114 965 843	-7 521 056	1 766 580 719
Knutsen Bøyelaster VI KS	10 054 450	50 %	437 150	23	10 054 450	23 808 918	383 972
Knutsen Newfoundland Chartering AS	200 000	100 %	1 000	200	200 000	-109 706	200 000
KNOT Shuttle Tankers 29 AS	100 000	100 %	100	1 000	218 185 386	-14 115 807	247 774 894
Knutsen Tankers 3 AS	100 000	100 %	100	1 000	2 082 988	6 009 901	2 176 559
Knutsen Canadian Chartering AS	1 176 000	100 %	490	2 400	1 176 000	1 172 139	1 176 000
Knutsen Atlantic Chartering AS	1 176 000	100 %	490	2 400	1 176 000	2 647 543	1 176 000
Knutsen Shuttle Tankers Pool AS	1 000 000	100 %	10 000	100	1 000 000	0	989 523
KNOT Shuttle Tankers 33 AS	200 000	100 %	2 000	100	216 304 646	-78 809	227 704 699
KNOT Shuttle Tankers 31 AS	100 000	89 %	100	1 000	177 924 511	-1 688 214	158 660 654
KNOT Shuttle Tankers 35 AS	30 000	100 %	1 000	30	160 333 271	-38 806 239	208 329 113



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KNOT Shuttle Tankers 36 AS	30 000	100 %	1 000	30	60 000	-50 401	60 000
KNOT Shuttle Tankers 37 AS	30 000	100 %	1 000	30	56 196 351	-1 196 720	57 439 150
KNOT Shuttle Tankers 38 AS	30 000	100 %	1 000	30	60 000	-26 457	60 000
KNOT Shuttle Tankers 39 AS	30 000	100 %	1 000	30	60 000	-26 457	60 000
KNOT Shuttle Tankers 40 AS	100 000	90 %	1 000	100	61 209	-17 583	55 088
KNOT Shuttle Tankers 41 AS	30 000	100 %	1 000	30	290 286 447	-1 102 598	291 418 018
KNOT Shuttle Tankers 42 AS	30 000	100 %	1 000	30	290 302 797	-1 111 257	291 443 018
Net book value investment in subsidiaries							4 865 424 492

All of the Norwegian subsidiary companies have the same company address as the parent company, Smedasundet 40, Haugesund. KNOT Offshore Partners GP LLC have the following company address 2 Queens Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom.

Shares in associated companies	Owner- and voting share	Number	Face value	Equity 31.12	Last years result	Book value in KNOT AS
KNOT Offshore Partners L.P.	25.72% ¹	8 567 500	NA	USD 697 549 978	USD 65 224 601	1 032 636 491

The company is listed at New York Stock Exchange and the company office address is 2 Queens Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom. The ownership and numbers of units also contain the units owned by KNOT Offshore Partners GP, which is a 100% owned subsidiary of Knutsen NYK Offshore Tankers AS.

NOTE 3 Bank deposits

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

NOTE 4 Equity

	Share capital	Share premium	Other equity	Total equity
Equity 1.1.	1 601 864 400	598 428 328	1 472 753 054	3 673 045 782
Merger with Knutsen Terminal Tanker	0	0	-260 949 078	-206 949 078
Result for the year	0	0	480 690 101	480 690 101
Equity 31.12	1 601 864 400	598 428 328	1 746 494 076	3 946 786 804

Share capital consists of 106 790 960 shares with face value NOK 15.

Name of shareholder	Number of shares	Ownership - Share in %
NYK Holding (Europe) B.V	53 395 480	50 %
TS Shipping Invest AS	53 395 480	50 %
Total shareholders	106 790 960	100 %

¹ KNOT cannot participate in the election of the board.



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NOTE 5 External Financing and Financial Instruments

	<u>31.12.2020</u>	<u>Available RCF</u>	<u>Drawn RCF</u>	<u>Mortgage debt</u>	<u>Rate used 31/12</u>	<u>NOK</u>
USD-loans		199 900 000	164 000 000	0	8,5375	1 400 150 000
Debt issuance cost						-10 596 327
						1 389 553 673
Current portion USD-loans			85 375 000			728 889 063
Current portion debt issuance cost						-5 224 022

	<u>31.12.2019</u>	<u>Available RCF</u>	<u>Drawn</u>	<u>Mortgage debt</u>	<u>Rate used 31/12</u>	<u>NOK</u>
USD-loans		181 400 000	166 400 000	15 000 000	8,8176	1 599 512 640
Debt issuance cost						-4 127 354
						1 595 385 286
Current portion USD-loans			126 400 000			114 544 640
Current portion debt issuance cost						-3 668 583

The NOK/USD exchange rate at the year-end was 8.5375 (8.8176 per 31.12.19).

For debt issued directly to vessel owning subsidiaries of Knutsen NYK Offshore AS parent company guarantees for outstanding amount at any time are typically issued in favor of the respective lenders.

The company has pledged 900 000 of units in KNOT Offshore Partners L.P. as security for certain of its interest rate swap arrangements and a bank guarantee issued on behalf of KNOT FSO 1 AS. In addition, the company has pledged 6 900 000 of its units in KNOT Offshore Partners as security for certain credit facilities. The aggregate book value for the pledged units is NOK 773 million. In March 2020 the 400 000 units used as security for a bank guarantee issued on behalf of KNOT FSO 1 AS was released.

The company seeks to reduce market risk and financial risk by use of long-term contracts and financial instruments. Though, since a substantial part of the company's revenues, investments and debt are also denominated in the same currency, this limits the company's foreign exchange risk.

NOTE 6 Auditors' Remuneration

The auditors' fee recorded to the Profit & Loss account is specified below:

Auditors' fee (VAT not included)	2020	2019
Auditing	560 882	420 250
Other assurance services	225 399	0
Tax consultation	15 000	0
Total	801 281	420 250



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NOTE 7 Pensions

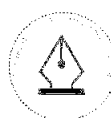
All personnel in the KNOT group are employed in KNOT Management AS. The company has no employees and thereby no pension liabilities (under the OTP regulation)

NOTE 8 Financial Income and Expenses

	2020	2019
Financial income:		
Interest from Group companies /related parties	16 536 678	41 249 442
Unrealized MtM currency swaps	0	1 668 598
Realized gain, currency swaps	5 518 153	0
Other interest income	323 688	684 516
Guarantee fees	15 782 768	13 662 546
Disbursed profits from investments	167 254 701	157 988 538
Dividends/group contributions from subsidiaries	185 786 538	134 995 549
IDR KNOP	26 278 356	24 822 495
Reversal write down shares	76 553 569	369 623 482
Gain sale shares	7 232 709	0
Total financial income	501 267 159	739 553 132
Financial expenses:		
Interest paid to Group companies /related parties	21 196 803	14 658 239
Realized loss currency swaps	135 612	2 747 000
Other interest expenses	63 574 390	75 762 677
Realized and unrealized interest rate swaps	15 953 441	1 953 821
Write-down shares	43 788 198	147 284 590
Other financial expenses from group companies	3 537 851	2 098 210
Guarantee cost from related parties	473 615	390 252
Other financial expenses	271 349	362 196
Total financial expenses	148 931 259	251 917 033

NOTE 9 Shares Owned by Board Members and Affiliates

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



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NOTE 10 Tax

In the following a specification of the differences between the result before tax, and the basis for tax calculation is given.

	2020	2019
Profit before tax	608 676 022	457 378 617
Non-deductible items	-195 833 273	-338 212 111
Change Temporary differences	-84 683 692	938 612
Basis for tax calculation before Group contribution	328 159 057	97 899 219
Net Group contribution not over profit & loss	-328 159 057	-120 105 118
Basis for tax payable	0	0

Calculation of tax expenses

Tax payable	0	0
Change in deferred tax	55 525 000	10 929 112
Correction taxable income last year	265 929	0
Tax effect group contribution	72 194 993	26 423 126
Tax calculated	127 985 921	37 352 239

Deferred tax/ -benefits are calculated based on the temporary differences existing at the year-end between financial and taxable values, and the taxable deficit carried forward. Below a specification of the temporary differences and taxable deficit carried forward are given, as well as a calculation of the deferred tax at the year-end.

Knutsen Terminal Tanker AS, has been merged into the company with tax effect from 1 January 2020. The 2019 numbers of the company have not been restated to reflect the merger, but all the 2020 numbers in the account reflect the two entities merged for the full 2020.

Temporary differences:	2020	Change	2019
Financial assets and liabilities	11 020 828	7 911 803	3 109 025
Gain and loss account	-61 205 837	-58 127 354	-3 078 483
Vessel	0	134 899 243	-134 899 243
Differences LP	201 394 262	167 702 673	33 691 589
Interest expenses carried forward	-98 289 693	0	-98 289 693
Deferred tax basis	52 919 560	252 386 365	-199 466 805
Deferred tax, 22% booked amount	-11 642 303	55 525 000	-43 882 697



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NOTE 11 Merger with the subsidiary Knutsen Terminal Tanker AS

Knutsen Terminal Tanker AS, a former 100% owned subsidiary of the company, has been merged into the company with accounting and tax effect from 1 January 2020. The 2019 numbers of the company have not been restated to reflect the merger, but all the 2020 numbers in the account reflect the two entities merged for the full 2020. Knutsen Terminal Tanker AS owned and operated the shuttle tanker M/T Gerd Knutsen until the vessel was sold in the middle of 2020 and the business of the company have been closed down before the formal merger took place in the 4th quarter of 2020.

The accounting principles for the two entities are identical, but some of the accounting principles are only material and relevant for the business of Knutsen Terminal Tanker AS and will be presented in this note.

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.

Inventory

Inventories are evaluated to market value as the lower of cost and market value is considered as unpractical.

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 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

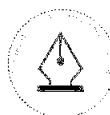
The total cost of the vessel is capitalised on delivery and depreciated linearly down to 0 at age 25.

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 considers 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 years 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.

To illustrate the effect of the merger on the accounts of Knutsen NYK Offshore Tankers AS we have included this presentation of the profit and loss statement:

	Knutsen Terminal Tanker AS	
	2020	2019
Operating income		
Operating income	122 149 545	91 314 910
Gain sale of vessel	76 478 366	0
Total operating income	198 627 911	91 314 910
Operating expenses		



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Crew hire	13 940 371	26 458 818
Other operating expenses	16 285 423	13 129 035
Administration	5 642 912	4 979 093
Total Operating Expenses	35 868 706	44 566 945
Ordinary depreciation	15 007 935	94 240 510
Operating result	147 751 270	-47 492 546
Financial income and expenses		
Financial income	1 224 029	233 538
Foreign exchange gain/loss	-8 066 261	-19 095
Financial expenses	-348 497	-1 116 177
Net financial items	-7 190 730	-901 734
Result before taxes	140 560 540	-48 394 279
Taxes	-30 923 319	10 646 741
Result for the year	109 637 221	-37 747 538

The details for fixed assets:

Fixed Assets and Dry-Docking

	2020	2019
Vessel		
Historical value 1.1.	322 888 363	322 888 363
Write-down	30 237 171	30 237 171
Acc. Depreciation 1.1	277 643 258	187 595 642
Book Value 1.1	15 007 935	105 055 551
Ordinary annual depreciation	15 007 935	90 047 616
Book value 31.12.	0	15 007 935
Dry-Docking		
Capitalised dry-docking	15 386 305	15 386 305
Acc. depreciation 01.01.	15 386 305	11 193 411
Capitalised dry-docking 01.01.	0	4 192 894
Ordinary annual depreciation	0	4 192 894
Capitalised 31.12.	0	0
Total book value vessel 31.12.	0	15 007 935



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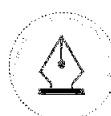
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Knutsen Terminal Tanker AS tax balances as of 31.12.2019:

Tax

	<u>2019</u>
<u>Negative temporary differences</u>	
Gain and loss account	-350 265
Temporary difference vessel	<u>-134 899 243</u>
Base for deferred tax calculation	<u>-135 249 508</u>
Deferred tax/(benefit) based on 22 %	<u>-29 754 892</u>



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Knutsen NYK Offshore Tankers AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Knutsen NYK Offshore Tankers AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statements of financial position as at 31 December 2020, the profit and loss statement, and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statements of financial position as at 31 December 2020, the statements of total comprehensive income, cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

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 and the Group 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 and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the 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.



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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 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;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report - Knutsen NYK Offshore Tankers AS

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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, 23 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

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