Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap 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:	30.04.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

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, 13.05.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Other income		1 353 824	0
Sum inntekter		**1 353 824**	**0**
Kostnader			
Administration expenses	1	2 375 264	2 029 246
other operating expenses		325	-352 459
Sum kostnader		**2 375 589**	**1 676 787**
Driftsresultat		**-1 021 765**	**-1 676 787**
Finansinntekter og finanskostnader			
Financial income	2	421 931 490	808 373 269
Sum finansinntekter		**421 931 490**	**808 373 269**
Financial expenses	2	157 916 937	106 492 675
Foreign exchange loss		52 259 825	196 130 335
Sum finanskostnader		**210 176 762**	**302 623 010**
Netto finans		**211 754 728**	**505 750 259**
Ordinært resultat før skattekostnad		**210 732 963**	**504 073 472**
Tax	3	-14 305 658	-27 348 922
Ordinært resultat etter skattekostnad		**225 038 621**	**531 422 394**
Årsresultat		**225 038 621**	**531 422 394**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	3	34 292 970	50 459 622
Sum immaterielle eiendeler		**34 292 970**	**50 459 622**
Finansielle anleggsmidler			
Investering i datterselskap	4	4 925 152 848	4 731 380 506
Lån til foretak i samme konsern		42 410 102	108 999 046
Investeringer i tilknyttet selskap	4	1 278 207 588	1 278 207 588
Sum finansielle anleggsmidler		**6 245 770 538**	**6 118 587 140**
Sum anleggsmidler		**6 280 063 508**	**6 169 046 762**
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables		83 466	1 311 742
Receivables related-parties		799	0
Group receivables		51 406 404	65 699 080
Group contributions		233 950 146	175 555 232
Other financial instruments		0	4 199 308
Sum fordringer		**285 440 815**	**246 765 362**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	5	60 835 325	225 000 143
Sum bankinnskudd, kontanter og lignende		**60 835 325**	**225 000 143**
Sum omløpsmidler		**346 276 140**	**471 765 505**
SUM EIENDELER		**6 626 339 648**	**6 640 812 267**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2023	2022
Egenkapital			
Innskutt egenkapital			
Share capital		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			
Other equity		2 249 274 025	2 337 525 904
Sum opptjent egenkapital		**2 249 274 025**	**2 337 525 904**
Sum egenkapital	6	**4 449 566 753**	**4 537 818 632**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	7	1 475 603 148	1 443 417 850
Langsiktig konserngjeld		413 440 969	393 275 771
Sum annen langsiktig gjeld		**1 889 044 117**	**1 836 693 621**
Sum langsiktig gjeld		**1 889 044 117**	**1 836 693 621**
Kortsiktig gjeld			
Leverandørgjeld		202 606	30 494
Accrued interest		11 677 453	7 461 546
Current liabilities group		259 781 826	8 380 545
Group contributions		16 000 000	240 805 199
Other current liabilities		66 893	9 622 230
Sum kortsiktig gjeld		**287 728 778**	**266 300 014**
Sum gjeld		**2 176 772 895**	**2 102 993 635**
SUM EGENKAPITAL OG GJELD		**6 626 339 648**	**6 640 812 267**

Konsernets resultatregnskap

Beløp i: USD	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Freight income	2,14	324 075 000	298 566 000
Other income	2,14	18 275 000	24 390 000
Gain on sale of business	7	0	18 064 000
Gain on sale of fixed asset	3	14 023 000	2 098 000
Sum inntekter		**356 373 000**	**343 118 000**
Kostnader			
Personell costs	14,15	58 304 000	62 953 000
Depreciation	3,12	82 552 000	91 159 000
Operating expenses vessels	14,15	28 634 000	26 733 000
Other expenses	15	50 000	77 000
Administration expenses	14,15	5 008 000	7 363 000
Vessel hire	12	31 117 000	16 991 000
Voyage expenses	15	72 233 000	82 763 000
Sum kostnader		**277 898 000**	**288 039 000**
Driftsresultat		**78 475 000**	**55 079 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	6	-13 148 000	14 702 000
Financial income	16	7 449 000	1 596 000
Changes in market value of financial assets/liabilities		0	11 385 000
Sum finansinntekter		**-5 699 000**	**27 683 000**
Financial expenses	12,14, 16	59 150 000	36 768 000
Changes in market value of financial assets/liabilities		3 052 000	0
Currency loss		1 436 000	655 000
Sum finanskostnader		**63 638 000**	**37 423 000**
Netto finans		**-69 337 000**	**-9 740 000**
Ordinært resultat før skattekostnad		**9 138 000**	**45 339 000**
Tax	17	5 888 000	4 899 000

Konsernets resultatregnskap

Beløp i: USD	Note	2023	2022
Ordinært resultat etter skattekostnad		**3 250 000**	**40 440 000**
Årsresultat		**3 250 000**	**40 440 000**
Minoritetsinteresser		37 000	-284 000
Årsresultat etter minoritetsinteresser		**3 213 000**	**40 724 000**
Non controlling interest		37 000	-284 000
Other comprehensiv income		-3 038 000	-13 472 000
Sum resultatkomponenter for IFRS-foretak		-3 001 000	-13 756 000
Totalresultat		**212 000**	**26 968 000**

Konsernets balanse

Beløp i: USD	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	17	26 367 000	32 323 000
Goodwill	5	74 793 000	74 793 000
Sum immaterielle eiendeler		**101 160 000**	**107 116 000**
Varige driftsmidler			
Property and equipment	3	386 000	379 000
Vessels	3	825 949 000	905 003 000
Vessels under construction	3,4,14	28 077 000	6 601 000
Right-of-use assets	12	1 522 000	15 175 000
Sum varige driftsmidler		**855 934 000**	**927 158 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	6	177 326 000	191 554 000
Long-term receivables	8	65 000	65 000
Financial assets	8,11	1 758 000	4 739 000
Sum finansielle anleggsmidler		**179 149 000**	**196 358 000**
Sum anleggsmidler		**1 136 243 000**	**1 230 632 000**
Omløpsmidler			
Varer			
Stores	13	8 757 000	11 422 000
Sum varer		**8 757 000**	**11 422 000**
Fordringer			
Accounts receivable	8,11,14	19 917 000	29 166 000
Financial assets	8,11	4 783 000	2 715 000
Receivables associated companies/related parties	8	1 372 000	6 928 000
Other receivables	8	10 053 000	17 300 000
Time deposits	8	12 050 000	0
Sum fordringer		**48 175 000**	**56 109 000**

Konsernets balanse

Beløp i: USD	Note	2023	2022
Bankinnskudd, kontanter og lignende			
Cash and bank deposits	9	40 853 000	79 571 000
Restricted bank deposits	9	3 833 000	3 961 000
Sum bankinnskudd, kontanter og lignende		**44 686 000**	**83 532 000**
Sum omløpsmidler		**101 618 000**	**151 063 000**
SUM EIENDELER		**1 237 861 000**	**1 381 695 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital			
Innskutt egenkapital			
Share capital	19	271 384 000	271 384 000
Overkurs		104 481 000	104 481 000
Sum innskutt egenkapital		**375 865 000**	**375 865 000**
Opptjent egenkapital			
Other equity		75 701 000	105 528 000
Minoritetsinteresser		0	-37 000
Sum opptjent egenkapital		**75 701 000**	**105 491 000**
Sum egenkapital		**451 566 000**	**481 356 000**
Gjeld			
Langsiktig gjeld			
Deferred income	8	423 000	670 000
Sum avsetninger for forpliktelser		**423 000**	**670 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	541 217 000	678 024 000
Lease liabilities	10,12	889 000	1 547 000
Sellers credit	10	0	14 492 000
Financial liabilities	8,11	2 182 000	0
Sum annen langsiktig gjeld		**544 288 000**	**694 063 000**
Sum langsiktig gjeld		**544 711 000**	**694 733 000**

Konsernets balanse

Beløp i: USD	Note	2023	2022
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	10	198 489 000	149 040 000
Leverandørgjeld	8,14	10 251 000	12 546 000
Betalbar skatt	17	0	368 000
Lease liabilities	10,12	731 000	21 807 000
other current liabilities to associated companies	8	1 178 000	1 771 000
other current liabilities	8	16 103 000	20 074 000
Sellers credit	10	14 832 000	0
Sum kortsiktig gjeld		**241 584 000**	**205 606 000**
Sum gjeld		**786 295 000**	**900 339 000**
SUM EGENKAPITAL OG GJELD		**1 237 861 000**	**1 381 695 000**

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List of Signatures

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Name	Method	Signed at
Hironobu Watanabe	One-Time-Password	2024-03-22 09:59 GMT+01
Seglem, Jorunn	BANKID	2024-03-20 10:50 GMT+01
Domyo, Takashi	BANKID	2024-03-20 04:56 GMT+01
Teksum, Leif	BANKID	2024-03-19 16:25 GMT+01
Seglem, Trygve	BANKID	2024-03-19 13:13 GMT+01
Steimler, Svein	BANKID	2024-03-27 17:29 GMT+01

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KNOT Knutsen NYK Offshore Tankers

Annual Report 2023

Knutsen NYK Offshore Tankers AS

Knutsen Group

NYK GROUP

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KNUTSEN NYK OFFSHORE TANKERS AS

DIRECTORS' REPORT 2023

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 several ship owning subsidiaries, management companies and 30.47% of the KNOT Offshore Partners L.P. ("KNOP"), 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 and Brazil. 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 nine owned and three chartered in specialised shuttle tankers at year end 2023. KNOT have contracted five (at year end 2023 two) new buildings in China for delivery in 2024 to 2027 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. *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. *M/T Hanne Knutsen* has, since November 2018, been servicing a long term contract with Equinor Energy AS at the Martin Linge field offshore Norway.

Knutsen NYK Offshore Tankers Group are the biggest unitholder and the sponsor of KNOT Offshore Partners L.P. and sell management services to the entities in KNOP. KNOP has a fleet of 18 owned specialised shuttle tankers at year end 2023, as of three is chartered to KNOT Group. KNOT Group and KNOP has an Omnibus Agreement where KNOP has an option to acquire all shuttle tankers with a charter contract of five year or more fixed term length. Five of the sailing vessels of KNOT and the five vessels ordered from newbuilding yard are candidates for sale down from KNOT to KNOP.

KNOT Management AS in Haugesund, KNOT Management do Brasil Ltda. in Rio de Janeiro and KNOT Management Denmark A/S in Copenhagen, 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 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 indirectly by TSSI.

Offshore loading and dynamic positioned tanker vessels on long term charter contracts are the Group's main strategic focus, and the Group is actively involved in the technical evolvement of these types of tankers.

Significant Developments

Charter contracts

The Group has from 13 May 2021 chartered in *M/T Bodil Knutsen*, from 3 September 2022 chartered in *M/T Hilda Knutsen* and from 1 March 2023 chartered in *M/T Torill Knutsen* from KNOP. The vessels are currently chartered in on a 1 month fixed periods with options to extend up to beginning of April 2024, January 2025 and January 2025 respectively. The vessels are operated in the CoA portfolio in Knutsen Shuttle Tankers Pool. The Group signed 29 April 2022 a ten year fixed and up to five year optional period time charter with a Petrobras company for operation off the Brazilian coast. The Company has signed a construction contract for one 154,000 dwt suez max DP2 shuttle tanker at COSCO Shipyard Group with delivery scheduled in fourth quarter 2024 for operation on the time charter contract. The Group booked an investment of USD 14 million regarding the construction contract in 2023.

The Group signed 4 November 2022 a fifteen year fixed and up to five year optional period time charter with a Petrobras company for operation off the Brazilian coast. The Company has signed a construction contract for one 154,000 dwt suez max DP2 shuttle tanker at COSCO Shipyard Group with delivery scheduled in fourth quarter 2025 for operation on the time charter contract. The Group booked an investment of USD 8 million regarding the construction contract in 2023.

Equinor Energy AS declared on 27 March 2023 the option to extend the charter contract of the *M/T Jorunn Knutsen* for 1 year with new redelivery date 30 September 2025. The charterer has three remaining 1 year options for the vessel.

M/T Sindre Knutsen started on the long term time charter contract with Eni's subsidiary Eni Trade & Biofuels S.p.A. on 2 September 2023.

The Group signed 19 January 2024 three ten year fixed and up to five year optional period time charters with a Petrobras company for operation off the Brazilian coast. The Company has signed construction contracts for three 154,000 dwt suez max DP2 shuttle tankers at COSCO Shipyard Group with delivery scheduled in third quarter 2026, first quarter 2027 and third quarter 2027 for operation on the time charter contracts.

Sale of Vessels

On 1 July 2022, we delivered the 2020 built *M/T Synnøve Knutsen* shuttle tanker to its buyer, KNOT Offshore Partners LP and received total net proceeds of approximately USD 32.2 million, giving a gain of USD 18.1 million from the sale which was recognized as gain from sale of business.

On 6 September 2022, we delivered the 2002 built *M/T Anneleen Knutsen* shuttle tanker to its buyer for further trade as tanker and received total proceeds of approximately USD 6.4 million and giving a gain on sale of vessel of USD 2.1 million.

On 1 February 2023, we delivered the 2003 built *M/T Grena Knutsen* shuttle tanker to its buyer for further trade as tanker and received total proceeds of approximately USD 27.6 million and giving a gain on sale of vessel of USD 14.0 million.

Investment in the associate - KNOP

On 7 September 2021, the KNOP entered into an exchange agreement with KNOT, whereby KNOT contributed to KNOP all of KNOT's incentive distribution rights ("IDRs"), in exchange for the issuance by KNOP to KNOT of 673,080 common units and 673,080 class B units, whereupon the IDRs were cancelled in a cashflow neutral transaction (the "IDR Exchange"). 336,540 class B units was converted to common units in 2022. As of December 31, 2023, there are 252,405 class B units outstanding.

Profit for the year

The Group's total revenue and operating income of USD 356 million contributed to an operating result (before depreciation and write downs) of USD 148 million, compared to USD 161 million in 2022.

M/T Sindre Knutsen have been operated in the spot tanker market and have taken single shuttle tanker CoA voyages from the delivery from yard in August 2022 and between testing and commissioning. *M/T Sindre Knutsen* started up on the five year fixed long term charterparty with ENI Trade & Biofuels S.p.A. from 2 September 2023. Charterers have options to extend the charterparty for up to five years. The oldest vessel in the fleet, *M/T Grena Knutsen*, have been taken out of operation and sold in the improved tanker market in February 2023. *M/T Bodil Knutsen, M/T Hilda Knutsen* and *M/T Torill Knutsen* (from 1 March 2023) have been chartered in to the group and operated in the Knutsen Shuttle Tankers Pool CoA trade and utilized in the tanker spot market in between shuttle voyages together with the 4 other group vessels in this trade.

Total operating expenses ended on USD 195 million in 2023 (USD 197 million in 2022), a decrease of USD 2 million from 2022.

M/T Bodil Knutsen and *M/T Hilda Knutsen* has been chartered in during the full year from KNOP, *M/T Hilda Knutsen* from KNOP from early March in addition to some single voyage chartering in vessels with a total charter hire of USD 31 million. The improved ordinary tanker market and more vessels in the CoA and spot operation in North Europe resulted voyage related expenses of USD 72 million in 2023 (USD 83 million in 2022).

The income from the associated KNOP ended on minus USD 13 million in 2023, compared to revenue of USD 15 million in 2022.

KNOT Offshore Partners LP reported total revenues for 2023 of USD 291 million, up from USD 269 million in 2022. Operating income for 2023 was USD 25 million down from USD 66 million in 2022 and net loss ended on USD 34 million (net income of USD 59 million in 2022).

The Group has depreciated leased and owned assets with USD 82 million in 2023, a decrease from USD 91 million in depreciation and write downs in 2022. The leased assets and owned assets are evaluated for write down if impairment indicators have been observed and the goodwill is evaluated for impairment evaluation at year end. In the impairment evaluation (goodwill and the assets with indicators) we have compared with the highest of net sales price and value in use. We have not identified any need for impairment of the Group goodwill and fixed assets at the end of 2023. There have not been booked any impairment on leased assets, fixed assets or goodwill in 2023.

Net financial income and expenses ended on minus USD 56 million (USD 24 million in 2022).

We have booked gains on the mark to market valuation of our financial instruments, and effect of the increasing interest rate level. The interest expenses have increased from USD 29 million in 2022 to USD 55 million in 2023 in market with increased interest level.

The Group had a profit before tax for the year of USD 9.1 million, compared to USD 45 million in 2022. Ordinary profit for the period amounted to USD 3.3 million compared to USD 40 million in 2022. 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. 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 45 million as of 31.12.23, of which USD 4 million is restricted bank deposit. The Group had USD 55 million in undrawn revolving credit facilities at year end. Total short term debt amounted to 37 % of total debt and liabilities, in comparison to 23 % in 2022. The cash flow from operating activities was USD 110 million in 2023, compared to operating cash flow of USD 81 million in 2022.

Total assets for the Group at year end 2023 amounted to USD 1,238 million compared to USD 1,382 million in 2022. Equity share as at 31.12.23 was 37 % (35 % as at 31.12.22).

The working capital for the Group was minus USD 140 million at the end of 2023 down from minus USD 55 million in 2022. The group has covenant requirements to have a positive working capital excluding first year instalments on long term debt in several of the financing facilities. The Group's working capital excluding first year instalments on long term debt and financial leases was at 31 December 2023 USD 59 million, USD 116 million in 2022, and the group was in compliance with the covenant requirement.

The total assets of the Company amounted to NOK 6,625 million at year end (NOK 6,641 million in 2022). Investment in subsidiaries and associated companies through shares and group loans amounted to NOK 6,297 million (NOK 6,184 million in 2022), 95 % of the total assets. The cash balance is NOK 61 million (NOK 225 million in 2022) at year end and the Company has a working capital of NOK 204 million (NOK 205 million in 2022). NOK 16 million of the current liabilities are related to group contributions to fund the equity portion of the investment program and working capital strengthening of the subsidiaries. This is part of our strategy to fund investments, support losses and increase the equity share in our subsidiaries.

Ordinary profit before tax amounted to NOK 211 million, compared to NOK 504 million in 2022. Ordinary profit after tax amounted to NOK 225 million compared to NOK 531 million in 2022. The Board of Directors recommends that the profit for the year is transferred to other equity. Equity share as of 31.12.23 was 67 % (68 % in 2022). The Company's total equity was NOK 4,451 million on 31 December 2023 (NOK 4,538 at 31 December 2022) of which other equity was NOK 2,250 million (NOK 2,338 million in 2022).

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 3a and § 4 5.

Financing

The Group has a solid financial position both in terms of liquidity and solidity.

The Group continuously works to secure refinancing of maturing debt 3 18 months before maturity. For 2024 the Group have four revolving credit facilities up for renewal of total $109.6 million, where we plan not to extent two revolving facilities of total $39,6 million. 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 2024 is comfortable with USD 45 million cash of which USD 4 million is restricted cash. In addition, the Group has USD 55 million of undrawn revolving credit facilities. Overview and details of the cash, mortgage and main covenants are included in notes 9 and 10.

The Group are continuously seeking new contracts for the existing fleet of vessels and FSO and are evaluating and participate in tender business for new shuttle tankers to improve the long term financial performance of the group. The Group have a dividend policy to pay out 50% of the profit from last year's accounts as a dividend to the shareholders.

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.

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 including potential impact on covenants by the investment and agreements with KNOT Offshore Partners LP where KNOT is its sponsor offering drop down vessels with contracts, is the general partner (KNOT Offshore Partners GP LLC) and is the largest unit holder. 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 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 and gas fields, which may require 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, the oil and gas 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.

Throughout the year we maintained our focus on environmental, social and governance ("ESG") matters as we believe that whatever the circumstances, we must continue to take responsibility for the environment we operate in. In addition, our stakeholders' expectations have continued to rise, and we have sought to meet these. The energy transition and long term international emission reduction goal may lead to reduced demand for shuttle tankers, and transition into newer technology for shuttle tankers. To meet these long term objectives, two important changes took effect from 2023. These are the implementation of energy efficiency requirements for all existing ships ("EEXI") and an operational carbon intensity indicator ("CII"). Despite a lot of details remaining to be agreed in regard to the CII, these and further regulations towards 2030, will have a significant effect on the shipping industry. From 2024 shipping is included in EU ETS and the EU CSRD regulation is effective from 1 January 2024 and Norway have the regulations up for approval and detailed regulation in Norway. KNOT is prepared to meet this new regulatory landscape and prepare for presentation under CSRD for the calendar year of 2025 where KNOT will be in scope. Close cooperation between owners, regulators, charterers, and funding institutions will be essential to meet IMO's ambitions. It is through continued hard work, innovation, and commitment that we will continue to improve and as a Group we are determined to play our part. The ESG report summarizes our values, our intentions, and our progress, but by publishing this in a transparent manner, we wish to convey our overriding commitment to ESG matters large and small, providing consistent reporting on all of our key initiatives, policies and performance.

The Group has not taken out any insurance policy for members of the Board of Directors and the President and CEO of the parent company or the subsidiaries for their potential liability towards the Group companies and third parties.

Environment, safety, and quality control

KNOT recognises the significance of climate change and the energy transition on our business and operations. Climate risks and opportunities are considered by the Board of Directors and the Management Team as part of their assessment of the Group's strategy and principal risks.

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 optimalisation and emission reduction for the Group's fleet.

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 88 training positions. The Group focus on having a high retention rate for officers and crews, and for 2023 the retention rate for officers was 93.5%.

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 ISO 45001 standard. 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.

Sick leave among sailors was in 2023 at 1.6 % (8.2 % in 2022). Sick leave among office employees in Haugesund was in 2023 at 1.4 %. The working environment both on shore and aboard our vessels is considered to be good.

The Group, the Company and the Norwegian subsidiaries regularly carries out risk based due diligence assessments in accordance with the obligations pursuant to the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (LOV 2021 06 18 99) section 4. The due diligence assessments cover the operations in the company. The account for these due diligence assessments and other obligations pursuant to the Act's section 5 are included in a report that could be found here www.knutsenoas.com and the report is updated minimum one time per year.

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 32%. Onboard our vessels the percentage of women is 3.7 %.

The shipping business is a traditional business and a very male dominated one. In recent years the Group has had a special focus on recruitment of women. We want our working environment both in the offices and on our managed vessels to reflect our equality and discrimination statement. In order to achieve a more balanced workforce with equal opportunities, we need to pay special attention to applicants of all genders without being unfair to anyone. We have made some adjustments and changes to our recruitment process to achieve a more gender balanced workforce:

- Make job posting more inclusive Focus on the job descriptions on the expectations of the role. Use more straightforward job titles and descriptions. Be aware of the language and use words that are compatible with family life such as; flexible, work from home, medical benefits.
- Share stories of women who are succeeding across all levels in the organization On Knutsen Group LinkedIn and in Knutsen Group magazine Knut'n.
- Make Knutsen an attractive place to work Visit universities for relationship building and show the career opportunities we can offer. Make the Company more visible both at the high school and university level by participation in career fairs and student arrangements. Employer branding and tailor made messages out is a key factor.
- Planning for the future Build a gender diverse recruiting strategy for the future. Make goals for improvement for the company. Invite to a focus group where this is on the agenda. Involve the organization in talking about the subject and create awareness and accountability.

Future developments

KNOT's two FSO's are fixed on long term charterparties and are vital for the production on the two fields with surrounding tied in fields. *M/T Jorunn Knutsen* has a fixed contract until the end of September 2025 with charterers options to extend for three years and *M/T Hanne Knutsen* has a fixed contract to medio October 2026 with charterers options to extend for four years.

The five shuttle tankers delivered in 2021 and 2022 and the five vessels to be delivered in 2024 to 2027 are all chartered out on long term contracts with charterers options to extend up to in total six to twenty years, with the first fixed period to end in the first quarter of 2026.

The fleet employed in the CoA and short term charter market are vessels with an age between 10 and 20 years old with long term experience in the trade. *M/T Bodil Knutsen* have installed VOC recovery systems that make her attractive for the energy companies offloading at the Norwegian continental shelf as they reduce the VOC emission. We have installed the second generation KVOC system onboard *M/T Gijon Knutsen*, making the vessel more attractive for charterers loading activities offshore. We observe that ports, like Wilhelmshaven, require tankers with KVOC to keep emissions down in the ports. The Group fleet of vessels in the CoA operations are at the start of 2024, two handy size vessel of 35,000 dwt that can take smaller cargoes and five suez max vessels that can load up to 1 million barrels of oil from offshore oil field or between terminals.

We are continuously seeking long term charter contracts for all our vessels, and with the contract of affreightment portfolio for our technically advanced vessels in North Europe, we have a well balanced fleet in North Europe. The fleet in Brazil is on long term charter contracts.

The Board of Directors believe the demand for shuttle tanker transport of oil from offshore oil and gas fields will continue in combination with development of sustainable energy alternatives and the global focus on environment. The demand for shuttle tankers will in part be covered by continued deployment of existing shuttle tankers and new building of shuttle tankers with new energy solutions as replacement for older tonnage.

Although the Group has not experienced any direct impacts on its business from the Russian invasion of Ukraine and the war on Gaza, some of its vessels' crew members are Russian or Ukrainian nationals. The Group continues to monitor this situation closely and is mindful that there may be restrictions or logistical challenges in employing both nationalities. The invasion may also lead to further regional and international conflicts or armed action, and it is possible that such conflicts could disrupt supply chains and cause instability in the global economy.

Haugesund, March 19, 2024

Svein Steimler *Chairman of the Board* (This document is signed electronically)	Trygve Seglem *Board member, President & CEO* (This document is signed electronically)
Leif Teksum *Board member* (This document is signed electronically)	Takashi Domyo *Board member & EVP* (This document is signed electronically)
Hironobu Watanabe *Board member* (This document is signed electronically)	Jorunn Seglem *Board member* (This document is signed electronically)

Knutsen NYK Offshore Tankers Group

Statements of Total Comprehensive Income

USD 1000	Notes	2023	2022
OPERATING INCOME			
Freight income	2,14	324 075	298 566
Other income	2,14	18 275	24 390
Gain on sale of business	7	0	18 064
Gain on sale of fixed assets	3	14 023	2 098
Total operating income		356 373	343 118
OPERATING EXPENSES			
Voyage expenses	15	-72 233	-82 763
Operating expenses vessels	14,15	-28 634	-26 733
Personell costs	14,15	-58 304	-62 953
Other expenses	15	-50	-77
Administration expenses	14,15	-5 008	-7 363
Vessel hire	12	-31 117	-16 991
Total operating expenses		-195 346	-196 880
Income from investment in associated companies	6	-13 148	14 702
Operating profit before depreciation, write-down		**147 879**	**160 940**
Depreciation on vessels	3,12	-82 495	-91 159
Depreciation on Property and equipment	3	-57	0
Operating profit		**65 327**	**69 781**
FINANCIAL INCOME AND EXPENSES			
Financial income	16	7 449	1 596
Financial expenses	12,14,16	-59 150	-36 768
Changes in market value of financial assets/liabilities		-3 052	11 385
Currency gains (losses), net		-1 436	-655
Net financial income and expenses		-56 189	-24 442
Profit before taxes		**9 138**	**45 339**
Taxes	17	-5 888	-4 899
PROFIT FOR THE PERIOD		**3 250**	**40 440**
ATTRIBUTABLE TO:			
Non controlling interest		37	-284
Equity holders of parent		**3 213**	**40 724**
Other comprehensiv Income*		-3 038	-13 472
Total Comprehensive Income		**212**	**26 969**

* 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	31.12.2023	31.12.2022
ASSETS			
NON CURRENT ASSETS			
Deferred tax assets	17	26 367	32 323
Goodwill	5	74 793	74 793
Total intangible assets		101 160	107 116
Vessels	3	825 949	905 003
Vessels under construction	3,4,14	28 077	6 601
Property and equipment	3	386	379
Right-of-use assets	12	1 522	15 175
Total tangible fixed assets		855 934	927 158
Investments in associated companies	6	177 326	191 554
Long-term receivables	8	64	65
Financial assets	8,11	1 758	4 739
Total financial non-current assets		179 148	196 358
Non current assets		1 136 243	1 230 632
CURRENT ASSETS			
Stores	13	8 757	11 422
Total inventories		8 757	11 422
Accounts receivables	8,11,14	19 917	29 166
Financial assets	8,11	4 783	2 715
Receivable associated companies/related parties	8	1 373	6 928
Other receivables	8	10 053	17 300
Time deposits	8	12 050	0
Total debtors		48 176	56 109
Cash and bank deposits	9	40 853	79 571
Restricted bank deposits	9	3 833	3 961
Total current assets		101 619	151 063
TOTAL ASSETS		1 237 861	1 381 695

Knutsen NYK Offshore Tankers Group

Statements of financial position

USD 1000	Notes	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	271 384	271 384
Share premium		104 481	104 481
Total paid-in capital		375 865	375 865
Other equity		75 701	105 812
Total other equity		75 701	105 812
Non controlling interests		0	-37
Total equity		**451 566**	**481 356**
LIABILITIES			
Deferred income	8	423	670
Total provisions		423	670
Interest-bearing loans and borrowings	10	541 217	678 024
Lease liabilities	10,12	889	1 547
Sellers Credit	10	0	14 492
Financial liabilities	8,11	2 182	0
Total other non-current liabilities		544 288	694 063
Interest-bearing loans and borrowings	10	198 489	149 040
Lease liabilities	10,12	731	21 807
Sellers Credit	10	14 832	0
Accounts payable	8,14	10 251	12 546
Tax payable	17	0	368
Other current liabilities to associated companies	8	1 178	1 771
Other current liabilities	8	16 103	20 074
Total current liabilities		241 584	205 606
Total liabilities		**786 295**	**900 339**
TOTAL EQUITY AND LIABILITIES		**1 237 861**	**1 381 695**

Haugesund, March 19, 2024

Svein Steimler	Trygve Seglem	Leif Teksum
Chairman of the Board	*Board member, President & CEO*	*Board member*
(This document is signed electronically)	(This document is signed electronically)	(This document is signed electronically)
Takashi Domyo	Hironobu Watanabe	Jorunn Seglem
Board member & EVP	*Board member*	*Board member*
(This document is signed electronically)	(This document is signed electronically)	(This document is signed electronically)

Knutsen NYK Offshore Tankers Group

Statement of changes in equity

USD 1000	Share capital	Share Premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
	Attributable to the equity holders of the parent						
Balance at January 1, 2022	271 384	104 481	98 816	-20 539	454 140	247	454 388
Profit for the year	0	0	40 724	0	40 724	-284	40 440
Dividends paid to shareholders	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	-13 472	-13 472	0	-13 472
Total comprehensive income	0	0	40 724	-13 472	27 252	-284	26 968
Balance at December 31, 2022	**271 384**	**104 481**	**139 540**	**-34 011**	**481 392**	**-37**	**481 356**
Balance at January 1, 2023	271 384	104 481	139 540	-34 011	481 392	-37	481 356
Profit for the year	0	0	3 213	0	3 213	37	3 250
Dividends paid to shareholders	0	0	-30 000	0	-30 000	0	-30 000
Other comprehensive income	0	0	0	-3 038	-3 038	0	-3 038
Total comprehensive income	0	0	-26 787	-3 038	-29 825	37	-29 788
Balance at December 31, 2023	**271 384**	**104 481**	**112 753**	**-37 049**	**451 567**	**0**	**451 567**

Knutsen NYK Offshore Tankers AS
Cash flow Statement

USD 1000	31.12.2023	31.12.2022
OPERATING ACTIVITIES		
Profit before tax (1)	9 137	45 339
Paid income tax	-150	-169
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	82 553	91 159
Gain on sale of business	-	-18 064
Gain on sale of vessel	-14 023	-2 098
(Income) loss from investing in associated company	12 748	-15 102
Payments from investments in associated company incl. dividends on preferred units	1 480	22 541
Amortization of deferred debt issuance cost	2 081	2 373
Lease interest paid	-145	-1 193
Changes in market value of financial curent liabilities	3 052	-11 385
Changes in operating assets and liabilities		
Decrease (increase) in amounts due from related parties	5 556	-6 315
Decrease (increase) in inventories	2 002	-4 004
Decrease (increase) in other current assets	7 246	-4 798
Decrease (increase) in accounts receivables	9 249	-13 267
Increase (decrease) in trade accounts payable	-2 871	3 632
Increase (decrease) in other liabilities (1)	-7 092	-6 522
Increase (decrease) in amounts due to related parties	-594	-887
Net cash provided by (used in) operating activities	**110 229**	**81 240**
INVESTING ACTIVITIES		
Additions to vessel and equipment	-1 674	-1 120
Disposals of vessel and equipment	28 365	6 431
Drydock additions	-7 159	-1 263
Additions to vessel under construction	-21 475	-288 497
Refund received for vessel and equipment	376	-
Net cash from Sale of Business	-	32 166
Net change in time deposits	-12 050	-
Net cash provided by (used in) investing activities	**-13 617**	**-252 283**
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	316 795
Repayment of long-term debt	-94 505	-119 149
Repayment of financial lease liabilities	-21 767	-7 158
Net change in revolving credit facility	-1 500	-29 500
Payment of debt issuance cost	-339	-1 850
Change in restricted cash	129	22 271
Dividends paid to equity holders	-30 000	-
Net cash provided by (used in) financing activities	**-147 982**	**181 409**
Net foreign exchange differences	12 653	12 949
Net increase in cash and cash equivalents	-38 717	23 315
Cash and cash equivalents at the beginning of the period	79 571	56 256
Cash and cash equivalents at the end of the period	**40 854**	**79 571**

(1) Included in Profit before tax is interest paid amounting to USD 51.0 million and USD 20.6 million for the year ended December 31, 2023 and 2022, respectively.

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 2023, 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**) operate 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 IFRS® Accounting Standards as adopted by the EU.The consolidated financial statements are prepared on a going concern basis.

IFRS Accounting Standards 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 Accounting Standards 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 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 31.12.23	10.2025	1.1067	1.3234
Pr 31.12.22	9.9066	1.0652	1.3550

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 adopted the amendment to IAS 1, which was released in February 2021. The amendment provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendment aims to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendment has had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

The Group has assessed that there are no other new accounting standards that have become effective during the year that had a material effect on the Group's consolidated accounts as of December 31, 2023.

New Accounting Standards not yet adopted

The Group has assessed that there are no standards that are not yet effective that are 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 *Revenue from Contracts with Customers* 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.

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)	2023	2022
Revenue from time charter contracts (service element included)	148 934	130 919
Revenue from CoA contracts and spot contracts	175 141	167 647
Total freight income	**324 075**	**298 566**

The minimum contractual future revenues to be received from time charter contracts as of December 31, 2023, were as follows (the service element of the time charter included):

(USD 1 000)	Future minimum contractual payment
Within 1 year	174 282
1 to 2 years	950 837
3 to 5 years	927 374
After 5 years	1 943 108
Total	3 995 601

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

Other income in 2023 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	2023	2022
Income from management services	18 237	22 044
Income from construction contracts	-	158
Insurance recoveries	38	2 188
Total other income	18 275	24 390

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 2023, the Group's three largest clients contributed with a freight income amounted to USD 76 million, USD 23 million and USD 18 million, respectively, which is approximately 36% of the total freight income.

	2023		2022	
North Europe	85 %	274 018	84 %	249 844
South America	15 %	50 057	16 %	48 722
Total	**100 %**	**324 075**	**100 %**	**298 566**

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 is 23 and 28 years for our shuttle tankers and FSOs, respectively. 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.

We have adopted that the estimated useful life or depreciable life of 23 years, while in cases where management has estimated that a vessel will have a shorter or longer lifespan than 23 years, or if we have chartered the vessel out for a fixed contract beyond the vessels age of 23 years, we use our best estimate on the useful life of the vessel.

As of January 1, 2023, the Group had considered factors related to the ongoing use of the vessels and equipment, gradual shifts in market conditions and other long term factors associated with the global oil and maritime transportation industries and based on this reassessed the useful life as being 28 years for M/T Jorunn Knutsen. This change in estimate was applied prospectively from January 1, 2023. The effect of the change in estimate is an decrease in monthly depreciation and amortization expense of USD 0.4 million. Our current fleet's estimated useful life ranges from 20 to 28 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 are 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 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.

Below is an overview of the Groups fixed assets as of December 31, 2023 and 2022.

2023	Vessels	Vessels under construction	Other tangible assets	Total
Cost price 01.01.2023	**1 488 637**	**6 601**	**614**	**1 495 852**
Additions	8 382	21 476	74	29 932
Transfer	0	0	0	0
Disposals	-10 873	0	0	-10 873
Translation adjustment	-13 773	0	0	-13 773
Cost price 31.12.2023	**1 472 373**	**28 077**	**688**	**1 501 137**
Acc. depreciations/ impairment 01.01.2023	-583 634	0	-235	-583 869
Depreciation current period	-81 679	0	-57	-81 736

Impairment current period	0	0	0	0
Disposals	10 873	0	0	10 873
Translation adjustment	8 016	0	-10	8 006
Acc. depreciations/ impairment 31.12.2023	**-646 424**	**0**	**-302**	**-646 726**
Carrying value 31.12.2023	**825 949**	**28 077**	**386**	**854 412**

2022	**Vessels**	**Vessels under construction**	**Other tangible assets**	**Total**
Cost price 01.01.2022	**1 308 415**	**110 414**	**614**	**1 419 443**
Additions	2 383	288 497	0	290 880
Transfer	392 310	-392 310	0	0
Disposals	-156 768	0	0	-156 768
Translation adjustment	-57 703	0	0	-57 703
Cost price 31.12.2022	**1 488 637**	**6 601**	**614**	**1 495 852**
Acc. depreciations/ impairment 01.01.2022	-585 583	0	-227	-585 810
Depreciation current period	-85 020	0	0	-85 020
Disposals (depreciation and impairment)	52 043	0	0	52 043
Translation adjustment	34 926	0	-8	34 918
Acc. depreciations/ impairment 31.12.2022	**-583 634**	**0**	**-235**	**-583 869**
Carrying value 31.12.2022	**905 003**	**6 601**	**379**	**911 983**

Included in additions are capitalized interest of USD 0 million and USD 0.8 million respectively as of December 31, 2023 and December 31, 2022. For description of pledged assets see Note 10 Mortgages other long term liabilities and guaranteed liabilities.

The Group's future cash flows may be impacted by climate related risks, including environmental changes or more stringent environmental regulations. Such changes may impact accounting estimates in future periods, including financial performance and useful lives of the Group's vessels.

Impairment valuation

Each balance sheet date, Management evaluates if there are any impairment indicators for each of its vessels. As per year end 2022 and 2023 no indicators for impairment were identified.

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 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 two vessels under construction as of December 31, 2023 (two newbuilding's as of December 31, 2022). As of December 31, 2023 contractual commitments for the construction of new buildings amounted to USD 206 million.

	2023	**2022**
Investment in vessels under construction	28 077	6 601

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 (fair value) of the identifiable assets acquired and liabilities assumed all measured as of the acquisition date.

The remaining carrying value of goodwill on December 31, 2023, and 2022 was as follows:

	2023	2022
Balance on December 31.	74 793	74 793

The Group performed an impairment test of goodwill as of December 31, 2023, 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 less estimated selling expenses 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 day rates and operating expenses for the tankers being operated by Knutsen NYK Offshore Tankers Group. The Group has used a discount rate (WACC) for the corresponding period of cash flow. The discount rate (WACC) applied is 8.71 % for projects with an expected remaining lifetime of 10 years or more, 8.72 % for 7 to 10 years, 8.73 % for 5 to 7 years, 8.80 % for 3 to 5 years and 9.06 % for up to 3 years cash flows at the end of 2023. The discount rate (WACC) applied is 8.31 % for NOK project with expected remaining lifetime of 10 years or more.

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 escalation of 2.5 % on the operating expenses for 2024 and a yearly escalation of 2.5 % on the operating expenses after 2024. 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 uses Fearnley's monthly report for scrap price for tank tonnage as estimate for the steel price.

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.

Entity	Country	Segment	Ownership interest	Carrying amount
KNOT Offshore Partners LP	**Marshall Island**	**Shuttle Tankers**	**30.47 %**	
Investment in associates 01.01.2022				**198 993**
Dividend 2022				-22 141
Net income from associates 2022				14 702
Investment in associates 31.12.2022				**191 554**
Dividend 2023				1 080
Income (loss) from associates 2023				-13 148
Investment in associates 31.12.2023				**177 326**

A summary of financial information for our share of the associate for the year 2023 (30.47 % share) and 2022 (30.47 % share).

(USD 1 000) based on IFRS Accounting Standards	**2023**	**2022**
Gross revenue	88 571	81 828
Net income (loss)	10 459	17 874
Assets	486 394	528 274
Liabilities	327 003	355 254
Equity (1)	159 391	173 020

(1) Under IFRS Accounting Standards the preferred units have been defined as liabilites.

KNOT Offshore Partners LP is listed on the New York Stock Exchange and experienced a decrease in its unit price during 2023 and towards the end of 2023 in which the unit price was approximately USD 5.76 per common unit as of December 31, 2023 (USD 9.63 per common unit as of December 31, 2022) implying fair value of the investment of USD 61 million. Management considered impairment indicators as required by IAS 28 *Investments in Associates* and determined the investment was not impaired as of December 31, 2023.

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 July 2022, the Group offered, and KNOP used their right to purchase the Group's interest in KNOT Shuttle Tankers 35 AS, the owner of M/T Synnøve Knutsen. The Group recognized gain on sale of business of USD 18.1 million through the transaction in 2022. There were no sales transactions between the parties in 2023.

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.

Impairment:
For trade receivables the Group applies a simplified approach in calculating expected credit losses (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.

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

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

	31.12.2023			31.12.2022		
	Amortized cost	**Fair value through profit and loss**	**Total**	**Amortized cost**	**Fair value through profit and loss**	**Total**
Financial assets						
Long term receivables	64	0	64	65	0	65
Financial assets (derivatives)	0	1 758	1 758	0	4 739	4 739
Total non current financial assets	64	1 758	1 822	65	4 739	4 804
Accounts receivable	19 917	0	19 917	29 166	0	29 166
Receivables related parties	1 373	0	1 373	6 928	0	6 928
Financial assets (derivatives)	0	4 783	4 783	0	2 715	2 715
Other receivables*	10 053	0	10 053	17 300	0	17 300
Time deposits	12 050	0	12 050			
Total current financial assets	43 393	4 783	48 176	53 394	2 715	56 109

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:

	31.12.2023			31.12.2022		
	Amortized cost	**Fair value through profit and loss**	**Total**	**Amortized cost**	**Fair value through profit and loss**	**Total**
Financial liabilities						
Deferred income (contract liability)	423	0	423	670	0	670
Financial liabilities (derivatives)	0	2 182	2 182	0	0	0
Total non-current financial liabilities	423	2 182	2 605	670	0	670
Accounts payable	10 251	0	10 251	12 546	0	12 546
Current financial liabilities (derivatives)	0	0	0	0	0	0
Other current liabilities to associated companies	1 178	0	1 178	1 771	0	1 771
Other current liabilities	16 103	0	16 103	20 074	0	20 074
Total current financial liabilities	27 531	0	27 531	34 391	0	34 391

** 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).

	31.12.2023			31.12.2022		
	Gross Carrying value	Expected credit loss allowance	Total	Gross Carrying value	Expected credit loss allowance	Total
Assets						
Long term receivables	64	0	64	65	0	65
Trade Accounts receivable	19 917	0	19 917	29 368	-202	29 166
Receivables related parties	1 373	0	1 373	6 928	0	6 928
Other receivables	10 053	0	10 053	17 300	0	17 300
Time deposits	12 050	0	12 050	0	0	0
Sum financial assets	43 457	0	43 457	53 661	202	53 459

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.

NOTE 9 Cash and Bank Deposit

Cash includes cash in hand, bank deposits and other highly liquid investments with original maturities of three months or less.

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

USD 1 000	2023	2022
Cash and bank deposit	40 853	79 571
Restricted bank deposit	3 833	3 961
Total cash and bank deposit	44 686	83 532

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. After initial recognition, interest bearing debt is stated at amortized cost using the effective interest method.

The below tables present the Group's interest bearing liabilities as per 31 December:

	31.12.2023	31.12.2022
Mortgage loans	547 222	641 979
Other interest-bearing loans	0	43 668
Sellers Credit 1)	0	14 492
Capitalized borrowing cost	-6 005	-7 623
Total long-term interest-bearing loans and borrowings	541 217	692 516
Current interest-bearing loans and borrowings	154 821	149 040
Current other interest-bearing loans	43 668	0
Current portion of sellers credit 1)	14 832	0
Total interest bearing loans and borrowings	754 538	841 556

1) The last instalments on M/T Tuva Knutsen and M/T Live Knutsen construction contracts with COSCO (Zhoushan) Shipyard Co., Ltd. in China is payable three years after the deliveries of the vessels with USD 7.5 million for each vessel. The instalment is booked as a seller's credit with the net present value on the delivery of the vessel and the investment on the vessel. The interest is expensed over the profit and loss statement during the term of the credit.

Book value of collateral	**31.12.2023**	**31.12.2022**
Bank deposits	23 836	37 743
Account receivables	11 193	14 859
Vessels	772 748	917 891
Investments in associates	123 278	133 170
Total booked value	936 055	1 103 663

Changes in liabilities arising from financing activities

	January 1, 2023	**Sale of business**	**Cash flow**	**Amortization of deferred debt issuance costs**	**Foreign exchange differences**	**December 31, 2023**
Long term liabilities to financial institutions	678 024	0	-145 794	2 081	6 906	541 217
First year instalments long term debt	149 040	0	49 449	0	0	198 489
Lease liabilities	20 982	0	-20 982	0	0	0
Total liabilities from financing activities	848 046	0	-117 327	2 081	6 906	739 706

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 100 % to 135 % of the outstanding loans
- Minimum liquidity requirements of the borrower ranging from USD 0.25 0.75 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 and 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 on December 31, 2023.

The Group has also secured non amortizing credit facilities and an amortizing revolving credit facility in the total amount of USD 200.0 million at parent level. The amortizing facility and one of the non amortizing facilities are secured by 7.4 million units in NYSE (New York Stock Exchange) listed KNOT Offshore Partners LP and the other non amortizing are unsecured. As of December 31, 2023, USD 145.0 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 is primarily denominated in Norwegian Kroner (NOK), the same currency that the charter hire is received in for that vessel. 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 2023 NOK 637 million (USD 62 million at the Group balance) of which NOK 464 million was denominated in NOK and the remaining part in USD.

The Group took delivery of M/T Tuva Knutsen and M/T Live Knutsen in 2021. The last instalments on the vessel construction contracts with COSCO (Zhoushan) Shipyard Co., Ltd. in China is payable three years after the delivery of the vessel with USD 7.5 million for each vessel. The instalments is booked as a seller's credits with the net present value on the delivery of the vessels and the investment on the vessels. The interest is expensed over the profit and loss statement during the term of the seller's credits.

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.

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 Group strives to tackle continuous challenges and changes in the pandemic environment, ensuring safe trading of or our vessels with regular crew change whilst also ensuring that our newbuilding's are delivered timely to entertain agreed charter contracts commitments.

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. Since the Group has relationships with an extensive 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 including potent'al impact on covenants by the investment and agreements with KNOT Offshore Partners LP where KNOT is its sponsor, offering drop down vessels with contracts, is the general partner (KNOT Offshore Partners GP LLC) and is the largest unit holder.

Credit risk

The Group is exposed to potential losses on accounts receivable. The credit risk within our segment is regarded as very low. The company's debtors are mostly major energy 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 19.9 million. The Group is also exposed to potential losses if the agreement counterpart in a derivative contract should fail to fulfil 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 minor compared to the nominal size of the contracts. No hedging against credit risk was undertaken in 2023 and 2022. Ongoing provisions are made and historically the loss percentage has been very low. As per December 31, 2023, USD 0 million was allocated for outstanding account receivable (USD 0.2 million as per December 31, 2022).

Ageing trade accounts receivables pr. 31.12.2023	**Not yet due**	**0 - 1 month overdue**	**1- 3 months overdue**	**Older than 3 months**
Trade accounts receivable	18 820	954	143	0

Ageing trade accounts receivables pr. 31.12.2022	**Not yet due**	**0 - 1 month overdue**	**1- 3 months overdue**	**Older than 3 months**
Trade accounts receivable	18 496	9 442	1 403	27

Interest risk

The Group's exposure to fluctuations in interest rates is mostly due to its long term liabilities with floating interest rates. Regarding 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 diverse types of interest rate contracts.

As of December 31, 2023, the Group has 14 fixed interest rate contracts with 2.7 3.5 years remaining maturity for approximately 19 % of total debt. The remaining 81 % 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:

Increase/ decrease of basis points		Effect on profit before taxes (USD 1 000)
+ / - 100	2023	+ / -5 879
+ / 100	2022	+ / 7 220

As of December 31, 2023, the interest swaps have a positive value of USD 4.0 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 2023 had been 10 % higher / lower than actual, this would have resulted in USD 6.0 million lower / USD 7.4 million higher revenues (in 2022 similar effect would have been USD 6.3 million lower / USD 7.8 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 substantial 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%	2023	+ / - 12 311
+ / 10%	2022	+ / 11 412

Increase/decrease in NOK		Effect on profit before taxes (USD 1 000)
+ / - 10%	2023	+ / - 7 387
+ / 10%	2022	+ / 6 847

Increase/decrease in EUR		Effect on profit before taxes (USD 1 000)
+ / - 10%	2023	+ / -1 847
+ / 10%	2022	+ / 1 712

As of December 31, 2023, the Group has no foreign exchange contracts.

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 2023, the Group had one vessel, M/T Grena Knutsen, which had been on a lease agreement and which was redelivered on February 1, 2023, and financing of two newbuildings. The following table shows the maturity for the Group's financial obligations based on contractual undiscounted cash flows:

Pr. 31.12.2023	2024	2025	2026	2027	2028	2029 and thereafter
Interest bearing loans	199 220	105 816	125 544	311 635	0	0
Trade accounts payable	10 251	0	0	0	0	0
Interest rate swap expenses	-4 099	-2 713	-1 916	-793	0	0
Foreign exchange rate contracts	0	0	0	0	0	0
Total	205 372	103 103	123 628	310 842	0	0

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	2023	2022
Total equity	451 566	481 356
Total assets	1 237 861	1 381 695
	36 %	35 %

Interest risk

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

	Nominal value	Currency	Fixed rate *	Value as at 31.12.2023	Value as at 31.12.2022
Interest swap contract (USD)	213 176	USD	2.83 %	4003	6 502
Interest swap contract (NOK)	200 000	NOK	2.21 %	357	528

**weighted average*

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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, 2023 the interest swaps have a positive value of USD 4.0 million.

For cash and bank deposits, receivable (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:

	31.12.2023		31.12.2022	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Other long-term receivables	64	64	65	65
Accounts receivables	19 917	19 917	29 166	29 166
Non current financial asset	1 758	1 758	4 739	4 739
Current financial asset	4 783	4 783	2 715	2 715
Cash and bank deposits	40 853	40 853	79 571	79 571
Restricted bank deposit	3 833	3 833	3 961	3 961
Receivables from associated companies/related parties	1 373	1 373	6 928	6 928
Other receivables	10 053	10 053	17 300	17 300
Time Deposit	12 050	12 050	0	0
Sum financial assets	94 684	94 684	144 445	144 445

	31.12.2023		31.12.2022	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities				
Long term financial liabilities	0	0	0	0
Short-term financial liabilities	0	0	0	0
Long term interest-bearing loans and borrowings	541 217	541 217	678 024	678 024
Short-term interest-bearing loans and borrowings	198 489	198 489	149 040	149 040
Sellers credit	14 832	14 832	14 492	14 492
Accounts payable	10 251	10 251	12 546	12 546
Other current liabilities to associated companies/ related parties	1 178	1 178	1 771	1 771
Other current liabilities	16 103	16 103	20 074	20 074
Sum financial liabilities	782 070	782 070	875 947	875 947

NOTE 12 Leases

Accounting policies

The Group applies the recognising exemptions proposed by the IFRS 16 standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Lease contracts which is not part of the exemptions are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate.

The right of use assets are measured at an amount equal to the lease liability at the date of implementation. The right of use asset is depreciated on a straight line basis over the lease term.

The Group leased one vessel the M/T Grena Knutsen which ended in 2023 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.

The lease payments of principal and interest for the Financial year 2023 and 2022 were as follows (excluding short term leases):

	2023	**2022**
Repayment of principal	21 889	7 158
Interest	145	1 193

In addition, the Group has paid USD 28.7 million in 2023 and USD 14.5 million in 2022 in short term lease of M/T Bodil Knutsen, M/T Hilda Knutsen and M/T Torill Knutsen for 2023 and M/T Bodil Knutsen and M/T Hilda Knutsen for 2022 which have been on time charters from KNOT Offshore Partners Group.

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
2024	807	76	731
2025	506	42	464
2026	301	16	285
2027	142	2	140
2028	0	0	0
2029	0	0	0
Carrying value at December 31, 2023 for lease liabilities			**1 620**

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 of consists of office leases and some satellite equipment.

	Vessel	Leased equipment	Office leases	Total right-of-use assets
Cost price 01.01.2023	**46 719**	**3 155**	**2 002**	**51 876**
Additions	0	0	0	0
Disposals	12 888	0	0	12 888
Modification	0	32	0	32
Cost price 31.12.2023	**33 831**	**3 187**	**2 002**	**39 019**
Acc. depreciation 01.01.2023	33 831	1 478	1 392	36 701
Depreciation current period	0	-488	-348	-796
Acc. depreciation 31.12.2023	**-33 831**	**-1 926**	**-1 741**	**-37 497**
Carrying value 31.12.2023	**0**	**1 260**	**261**	**1 522**

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

	2023	2022
Bunkers	6 787	8 906
Lube oil	1 970	2 516
Total stock	8 757	11 422

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 in is considered as related party to the company and the 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 2023 as well as in 2022 delivered management services and/or crewing services to the group.

Knutsen NYK Offshore Tankers AS owns units in KNOT Offshore Partners LP (30.47 % of the general partner , Class B 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 hiring 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, controlled by Trygve Seglem and his family including the Director of the Board, Jorunn Seglem.

	2023	2022
New building supervision fee and refunds to/from TSSI Group (1)	3 200	2 832
Hire project personnel from TSSI Group	362	1 166
Hire administration services from TSSI Group	5 917	6 422
Hire crew from TSSI Group	21 113	21 529
Hire administration services from NYK Group	417	435
Vessel hire from KNOP Group less commissions paid by KNOP	28 619	14 472
Management services to KNOP Group	11 397	10 680
Management services to TSSI Group	0	0
Management services to NYK Group	595	612
Hire of property from Seglem Eiendom Group	482	440
Hire of property and cars to NYK Group	111	102
Other operating expenses with other related parties (2)	196	384

(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.

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 has 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 has issued guarantee as security for one loan agreement. 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 2023 is USD 0.1 million (in 2022 USD 0.1 million). The performance guarantees have not been priced.

TS Shipping Invest Group has also guaranteed for payments to the yard for two 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 2023 is USD 1.1 million. As of December 31, 2023 TS Shipping Invest Group has guaranteed in total USD 221.5 million 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	2 045	1 668

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

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 2023 as President and CEO, see note 15.

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

NOTE 15 Voyage expenses, operating expenses vessels, other expenses, wages, employees, and distinctive contributions

Accounting policies

Operating expenses are recognized when incurred.

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, while paid by the Group for spot contracts and during periods of off hire.

Voyage expenses	2023	2022
Port expenses	13 925	9 922
Bunkers expenses	51 152	62 816
Commission expenses	2 519	2 406
Other voyage related expenses	4 637	7 619
Total voyage expenses	72 233	82 763

Operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. Vessel operating expenses are paid by the Group for time charters, spot contracts and during off hire.

Operating expenses vessels	2023	2022
Technical cost	21 605	20 658
Bunkers and lubricating	2 453	2 438
Insurance	4 576	3 636
Total operating expenses vessels	28 634	26 732
Other expenses related to construction contract	50	77

Wages and personnel cost	2023	2022
Wages	9 474	9 368
Social security	800	673
Pension costs	824	779
Other benefits	451	250
Hire administrative personnel	6 203	6 949
Crew cost paid by third party	-4 781	-4 983
Hire personnel vessels	45 332	49 917
Total personnel cost	58 304	62 953
Average number of man-labour years	247	233

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 and M/T Heather Knutsen
- KNOT Management Denmark A/S M/T Gijon Knutsen
- 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
2023	0	314	40	9
2022	0	330	43	8

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 key management personnel. No loans have been given to the company management. The President and CEO has an agreement securing 12 months' salary.

	2023	2022
Audit fees	171	141
Other assurance services	11	11
Tax services	6	3
Total	**188**	**155**

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

NOTE 16 Financial Items

Financial income	2023	2022
Bank interest	2 936	977
Realized gain on foreign exchanges rate contracts	59	219
Other interest	1	0
Dividend from preferred units	400	400
Realized gain interest rate swap	4 053	0
Total financial income	7 449	1 596

Financial expense	2023	2022
Interests on debt and borrowings	-57 092	-28 751
Interest rate swap expenses	-734	-1 537
Realized loss on foreign exchanges rate contracts	-	-1 639
Interests on lease liabilities	-145	-1 195
Other financial expenses	-1 179	-3 646
Total financial expenses	59 150	36 768

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 of 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 is 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.

	2023	2022
Taxes payable (including correction tax)	-219	188
Change in deferred taxes	5 957	1 688
Withholding taxes	0	0
Paid taxes	150	169
Currency differences	0	15
Adjustment tax Ghana	0	2 839
Tax on ordinary result	5 888	4 899
Specification of tax		
Ghana tax - ordinary regime	0	2 839
Currency differences	0	14
Danish/Brazilian tax - ordinary regime	-68	354
Norwegian tax - ordinary regime	5 957	1 692
Total tax on ordinary result	5 888	4 899
Temporary differences:		
Vessels	-21 400	-12 782
Gain and loss accounts	2 133	17 735
Mortgage debt	-2 322	-2 599
Financial current assets/-liabilities	40	1 265
Tax loss carried forward	-84 739	-100 820
Other	-13 560	-14 254
Total temporary differences	-119 849	-146 925
Tax effect of temporary differences:	**2023**	**2022**
Vessels	-4 708	-2 812

Gain and loss accounts	469	-2 902
Mortgage debt	-511	-572
Financial current assets/ liabilities	9	278
Tax loss carried forward	-18 643	-22 180
Other	-2 983	-3 135
Deferred tax net	26 367	-32 323

Changes in deferred tax in the balance sheet		
Opening balance deferred tax	-32 323	-34 011
Booked to profit and loss	5 957	1 688
Ending balance deferred tax	26 367	32 323

Payable tax in the balance sheet consist of		
Other payable corporation tax	0	109
Total payable tax in the balance sheet	0	109

Analysis of effective tax rate		
22 % of pre-tax result	2 010	9 974
Currency effect deferred taxes	-319	-1 928
Permanent differences / Norwegian tonnage tax regime	4 198	-3 147
Estimated tax	5 888	4 899

The corporate income tax rate in Norway was 22 % in 2023 and 2022. 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 since 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 31.12.23 (100%)
KNOT Management AS	Knutsen NYK Offshore Tankers AS	Management company in Norway	NOK 100 000	NOK 74 618 576	NOK 38 333 456
KNOT Management Denmark A/S	KNOT Management AS	Management company in Denmark	DKK 500 000	DKK 297 232	DKK 2 002 202
KNOT Management do Brasil Ltda *)	KNOT Management AS	Management services in Brazil	USD -	USD - 189 474	USD 154 965
Knutsen Atlantic Chartering AS	Knutsen NYK Offshore Tankers AS (90%) and Knutsen Shuttle Tankers 3 AS (10%)	Dormant company	NOK 1 176 000	NOK 453 346	NOK 174 527 852
Knutsen Canadian Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 1 176 000	NOK 1 770 197	NOK 220 039 643
Knutsen Newfoundland Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 200 000	NOK 229 880	NOK 6 113 323
Knutsen Shuttle Tankers Pool AS	Knutsen NYK Offshore Tankers AS	Pool company for group vessels in CoA trade	NOK 1 000 000	NOK	NOK 1 000 000

Subsidiaries and sub-subsidiaries	Owner	Main activity	Company share capital	Annual results (statutory accounts)	Equity as of 31.12.23 (100%)
Knutsen Shuttle Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Anneleen Knutsen, M/T Gijon Knutsen and M/T Siri Knutsen	NOK 300 000	NOK 143 408 578	NOK 102 045 124
Knutsen Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of 90% of Knutsen Shuttle Tankers Ghana Limited	NOK 100 000	NOK -111 788	NOK 35 045 716
Knutsen Shuttle Tankers Ghana Limited *) and **)	Knutsen Tankers 3 AS (90%)	Operation of shuttle tankers in Ghana	USD	USD 144 182	USD
KNOT FSO AS	Knutsen NYK Offshore Tankers AS	Owner of KNOT FSO 1 AS and KNOT FSO 2 AS	NOK 100 000	NOK 32 416 829	NOK 925 253 537
KNOT FSO 1 AS	KNOT FSO AS	Owner of M/T Hanne Knutsen	NOK 100 000	NOK 74 210 196	NOK 1 268 370 877
KNOT FSO 2 AS	KNOT FSO AS	Owner of M/T Jorunn Knutsen	NOK 100 000	NOK 18 371 379	NOK 714 540
KNOT Shuttle Tankers 27 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Live Knutsen	NOK 100 000	NOK -9 886 628	NOK 133 784 813
KNOT Shuttle Tankers 29 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Jasmine Knutsen	NOK 100 000	NOK 30 959 930	NOK 264 652 843
NOT Shuttle Tankers 31 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Tuva Knutsen	NOK 100 000	NOK 25 586 950	NOK 208 405 892
KNOT Shuttle Tankers 33 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Heather Knutsen	NOK 200 000	NOK 73 480 064	NOK 330 836 505
KNOT Shuttle Tankers 37 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Daqing Knutsen	NOK 30 000	NOK 8 034 849	NOK 154 855 858
KNOT Shuttle Tankers 41 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Frida Knutsen	NOK 30 000	NOK 568 438	NOK 231 899 069
KNOT Shuttle Tankers 42 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Sindre Knutsen	NOK 30 000	NOK -79 906 125	NOK 262 876 980
KNOT Shuttle Tankers 43 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK 1 726	NOK 28 274
KNOT Shuttle Tankers 44 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK 1 726	NOK 28 274
KNOT Shuttle Tankers 45 AS	Knutsen NYK Offshore Tankers AS	Newbuilding tender activity	NOK 30 000	NOK 1 726	NOK 28 274
KNOT Offshore Partners GP LLC *)	Knutsen NYK Offshore Tankers AS	General Partner of KNOT Offshore Partners LP	USD 4 241 000	USD 408 944	USD 15 725 847

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.

*) The statutory accounts have not been finalized yet and the amounts disclosed are from the consolidation based on IFRS Accounting Standards.
**) 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
The board of directors	
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 and contingent liabilities
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.

NOTE 21 Subsequent Events

The Group has evaluated subsequent events from the balance sheet date through March 19, 2024 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:

The Group has in January extended the time charter contracts for M/T Bodil Knutsen, M/T Hilda Knutsen and M/T Torill Knutsen from KNOP on fixed 30 days periods with 30 days options to extend up to end of March 2024 for M/T Bodil Knutsen and to the beginning of January 2025 for the two other vessels. The vessels are operated in the CoA portfolio in Knutsen Shuttle Tankers Pool.

The Group signed 19 January 2024 three ten year fixed and up to five year optional period time charters with a Petrobras company for operation off the Brazilian coast. The Company has signed construction contracts for three 154,000 dwt suez max DP2 shuttle tankers at COSCO Shipyard Group with delivery scheduled in third quarter 2026, first quarter 2027 and third quarter 2027 for operation on the time charter contracts.

KNOT Knutsen NYK Offshore Tankers

Annual Report 2023

Company Account

Knutsen NYK Offshore Tankers AS

www.knotgroup.com

Knutsen NYK Offshore Tankers AS

Profit & Loss Account

	Note	2023	2022
Operating income			
Other income		1 353 824	0
Total income		**1 353 824**	**0**
Operating Expenses			
Administration expenses	1	2 375 264	2 029 246
Other operating expenses		324	-352 459
Total expenses		**2 375 589**	**1 676 787**
Operating Result		**-1 021 765**	**-1 676 787**
Financial income and expenses			
Financial income	2	421 931 490	808 373 269
Foreign exchange gain/-loss		-52 259 825	-196 130 335
Financial expenses	2	-157 916 937	-106 492 675
Net financial items		**211 754 728**	**505 750 260**
Result before taxes		**210 732 963**	**504 073 472**
Tax	3	-14 305 658	-27 348 922
Result for the period		225 038 621	531 422 394

Knutsen NYK Offshore Tankers AS

Balance Sheet as of 31. Desember

Assets	Note	2023	2022
Fixed Assets			
Deferred tax assets	3	34 292 970	50 459 622
Investments in subsidiaries	4	4 925 152 848	4 731 380 506
Loan to group companies		42 410 103	108 999 046
Investments in associated companies	4	1 278 207 588	1 278 207 588
Total Fixed Assets		**6 280 063 508**	**6 169 046 762**
Current Assets			
Other short-term receivables		83 466	1 311 742
Receivables related parties		799	0
Group receivables		51 406 404	65 699 080
Group contributions		233 950 146	175 555 232
Other financial instruments		0	4 199 308
Cash and cash equivalents	5	60 835 324	225 000 143
Total Current Assets		**346 276 139**	**471 765 504**
TOTAL ASSETS		**6 626 339 648**	**6 640 812 267**

Knutsen NYK Offshore Tankers AS

Balance Sheet as of 31. Desember

Equity and liabilities	Note	2023	2022
Equity			
Share capital		1 601 864 400	1 601 864 400
Share premium		598 428 328	598 428 328
Total paid-up equity		**2 200 292 728**	**2 200 292 728**
Other equity		2 249 274 025	2 337 525 904
Total retained earnings		**2 249 274 025**	**2 337 525 904**
Total Shareholders' Equity	6	**4 449 566 753**	**4 537 818 632**
Long Term liabilities			
Liabilities to financial institutions	7	1 475 603 147	1 443 417 850
Group debt		413 440 969	393 275 771
Total Long Term Liabilities		**1 889 044 117**	**1 836 693 621**
Current Liabilities			
Trade payables		202 606	30 494
Accrued interest		11 677 453	7 461 546
Current liabilities group		259 781 826	8 380 545
Group contributions		16 000 000	240 805 199
Other current liabilities		66 892	9 622 230
Total Current Liabilities		**287 728 778**	**266 300 014**
SHAREHOLDERS' EQUITY AND LIABILITIES		**6 626 339 648**	**6 640 812 267**

Knutsen NYK Offshore Tankers AS

Cash flow statement

	NOK1	31.12.2023	31.12.2022
	Cash flow from operational activities		
	Result before taxes	210,732,962	504,073,472
-/+	Gain/loss from sale of subsidiaries	0	-49,652,733
+	Write down/-reversal of earlier write down subsidiaries	-260,493,754	-361,614,715
+/-	Changes in stocks and goods	0	0
+/-	Changes in accounts receivables	1,228,276	3,570,046
+/-	Changes in accounts payable	172,112	-68,669
+/-	Changes in current receivables/payables to related parties	-799	-13,583
+/-	Changes in current group receivables/payables	265,693,957	-38,336,248
+/-	Foreign exchange gain/loss effects	47,229,967	199,936,952
+/-	Elements classified as investments-/financing activities	53,075,181	-56,491,560
+/-	Changes cut-off - in other current assets and liabilities	-5,339,430	11,463,152
=	Net cash flow from operational activities	312,298,472	212,866,113
	Cash flow from investment activities		
+	Sale and liquidation of subsidiaries	0	376,160,909
+	Repayment of equity from investments	242,250,089	896,759,454
-	Incorporation and acquisitions of subsidiaries	-240,000	0
-	Capital injections and group contributions to subsidiaries	-472,752,655	-853,891,627
+/-	Net change in loans to finance subsidiaries	66,588,943	-16,343,055
=	Net cash flow from investment activities	-164,153,623	402,685,681
	Cash flow from financing activities		
+/-	Net change of drawn amount under Revolving credit facilities	-15,458,850	-280,970,552
+/-	Net change in financing received from subsidiaries	11,879,998	-226,737,060
-	Payment of dividend	-313,290,499	0
=	Net cash flow from financing activities	-316,869,351	-507,707,612
+/-	Effect of exchange rate changes on cash and cash equivalents	4,559,683	4,559,683
=	**Net change in cash and cash equivalents**	-164,164,819	112,403,865
+	Cash and cash equivalents at the start of the period	225,000,143	112,596,278
=	**Cash and cash equivalents at the end of the period**	60,835,324	225,000,143

KNUTSEN NYK OFFSHORE TANKERS AS

Notes to the Financial Statement 2023

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 recognised 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 later period.

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. Realised 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 exceed the borrowed amount. To the extent that long-term debt exceeds the net nominal income flow, the unrealised foreign exchange loss on the exceeding amount is recorded.

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.

Note 1 Employees and remuneration

All personell in the KNOT group are employed by the management companies. The company has no employees and thereby no pension liabilities (under the OTP regulation).

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

Auditors remuneration (excl. VAT):	2023	2022
Audit	640,500	457,750
Other services besides audit	0	0
	640,500	457,750

Note 2 Financial income and -expenses

	2023	2022
Financial income:		
Interest from group companies /related parties	8,209,574	4,891,745
Distribution from preferred units	4,227,955	5,850,754
Unrealized MtM currency swaps	0	4,510,911
Realized gain, currency swaps	625,000	1,913,754
Other interest income	2,662,408	1,070.307
Guarantee fees related parties	30,809,103	27,367,029
Disbursed profits from investments	10,589,955	197,829,147
Dividends/group contribution from subsidaries	104,192,686	155,072,114
Reversal write down shares	260,614,792	361,614,715
Gain sale shares	0	49,652,733
Total financial income	**421,931,490**	**808.373.265**
Financial expenses:		
Interest paid to Group companies /related parties	39,026,003	19,956.694
Realized loss currency swaps	0	17,327,438
Unrealized loss currency swaps	4,199,308	0
Other interest expenses	114,227,415	64,795.520
Realized and unrealized interest rate swaps	0	822,896
Write-down shares	121,038	0
Other financial expenses from group companies	0	3,393,496
Other financial expenses	343,174	196,630
Total financial expenses	**157,916,937**	**106.492.675**

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Note 3 Tax

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

	2023	2022
Profit before tax	210,732,963	504,075,472
Non-deductible items	-279,429,143	-628,380,753
Change temporary differences	504,658	-15,064,974
Basis for tax calculation before Group contribution	-68,191,522	-139,370,255
Net Group contribution not over profit & loss	138,510,500	35,379,411
Paid Group contribution	0	0
Basis for tax calculation after Group contribution	70,318,977	-103,990,844
Change in losses carried forward	-70,318,977	103,990,844
Basis for tax payable	0	0

Calculation of tax expenses

	2023	2022
Tax payable	0	0
Correction taxable income last year	0	0
Change in deferred tax	16,166,652	-19,565,451
Correction taxable income last year	0	0
Tax effect group contribution	-30,472,310	-7,783,470
Tax calculated	-14,305,658	-27,348,922

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.

Temporary differences	2023/12/31	Change	2022/12/31
Financial assets and liabilities	5,759,353	-6,339,005	12,098,358
Gain and loss account	-31,337,389	7,834,347	-39,171,736
Interest expenses carried forward	-98,289,693	0	-98,289,693
Losses carried forward	-30,009,403	70,318,977	-100,328,380
Deferred tax basis	-153,877,132	71,814,319	-225,691,451
Deferred tax, 22% booked amount	-34,292,970	16,166,652	-50,459,622

Note 4 Shares in subsidiaries and associated companies

	Total share capital	Owner- and voting share	Number	Face value	Equity 31.12	Last years result	Book value in KNOT AS
Knutsen Shuttle Tankers 3 AS	300,000	100%	300	1,000	102,045,124	145,408,578	586,076,348
KNOT Offshore Partners GP LLC	USD 4 241 000	100%	5,340	N/A	USD 15,725,847	-USD 408,944	70,981,327
KNOT Management AS	100,000	100%	100	1,000	58,333,456	74,618,576	17,136,264
KNOT Shuttle Tankers 27 AS	100,000	100%	100	1,000	155,784,813	-9,886,628	165,764,712
KNOT FSO AS	100,000	100%	100	1,000	925,253,537	52,416,829	1,900,240,907
Knutsen Newfoundland Chartering AS	200,000	90%	1,000	200	6,113,323	229,880	5,708,883
KNOT Shuttle Tankers 29 AS	100,000	100%	100	1,000	264,652,843	30,959,930	352,802,760
Knutsen Tankers 3 AS	100,000	100%	100	1,000	35,045,716	-111,788	2,296,558
Knutsen Canadian Chartering AS	1,176,000	100%	490	2,400	220,039,643	-1,770,197	219,369,220
Knutsen Atlantic Chartering AS	1,176,000	90%	490	2,400	174,527,852	-453,346	157,356,028
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	550,836,505	75,480,064	584,550,281
KNOT Shuttle Tankers 31 AS	100,000	100%	100	1,000	208,405,892	25,586,950	174,660,205
KNOT Shuttle Tankers 37 AS	30,000	100%	1,000	30	154,855,858	8,034,849	171,003,616
KNOT Shuttle Tankers 41 AS	30,000	100%	1,000	30	251,899,069	568,438	508,026,445
KNOT Shuttle Tankers 42 AS	30,000	100%	1,000	30	262,876,980	-79,906,125	410,070,802
KNOT Shuttle Tankers 43 AS	30,000	100%	1,000	30	28,274	-1,726	39,654
KNOT Shuttle Tankers 44 AS	30,000	100%	1,000	30	28,274	-1,726	39,654
KNOT Shuttle Tankers 45 AS	30,000	100%	1,000	30	28,274	-1,726	39,654

Net book value investment in subsidiaries	4,925,152,848

All of the Norwegian subsidiary companies have the same company address as the parent company, Smedasundet 40, Haugesund.

Shares in associated companies		Owner share	Number	Group Equity USD 31/12/	Last years result USD	Book value in KNOT AS
KNOT Offshore Partners L.P.		28.38%		523,169,000	-54,328,000	
	Common units		9,661,255			1,151,925,165
	Class B units		252,405			92,780,078
	Preferred units		208,333			33,502,346
						1,278,207,588

The company is listed at New York Stock Exchange and the company office adress is 2 Queens Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom.

Knutsen NYK Offshore Tankers AS and KNOT Offshore Partners LP agreed to convert the Incentive Distribution rights held by the company in the partnership into 50% common units and 50% class B units. The class B units will be converted into common units over 8 quarters the first time in 4th quarter 2021. The class B units is subordinated and the conversion can be adjusted if the partnership reduce the quarterly dividend per share down from the current 0.52 USD. No conversion have been done in 2023 as dividend paid are to low. At year end 2023, 3 possible conversions remain.

Note 5 Bank deposits

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

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Note 6 Equity

	Share capital	Share premium	Other equity	Total equity
Equity 1.1.	1,601,864,400	598,428,328	2,337,525,904	4,537,818,632
Dividends	0	0	-313,290,500	-313,290,500
Result for the year	0	0	225,038,621	225,038,621
Equity 31.12	1,601,864,400	598,428,328	2,249,274,025	4,449,566,753

Share capital consist 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%

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

Note 7 Mortgage Debt and Financial Instruments

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recorded in the profit and loss over the period of the interest-bearing liabilities. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the net profit and loss statement when the liabilities are devalued or depreciated, as well as through the amortization process

	Currency	Outstanding currency	Accounting balance 2023	2022
Mortgage debt	USD	145,000,000	1,479,362,500	1,451,316,900
Debt issuance cost			-3,759,353	-7,899,050
Liabilities to financial institutions			1,475,603,147	1,443,417,850

	2023	2022
Amounts due within 12 months of the balance sheet date:		
Mortgage debt	816,200,000	906,453,900
Debt issuance cost	-3,658,840	-5,349,338
Liabilities to financial institutions	812,541,160	901,104,562
Repayment profile:		
0 - 12 months	80,000,000	91,500,000
13 - 24 months	40,000,000	55,000,000
25 - 36 months	25,000,000	0
37 - 48 months	0	0
49 - 60 months	0	0
After 60 months	0	0
	145,000,000	146,500,000

The exchange rate at the year-end	USDNOK	10.2025	9.9066

For debt issued directly to vessel owning subsidiaries of Knutsen NYK Offshore Tankers AS, parent company guarantees for outstanding amount at any time are typically issued in favor of the respective lenders.
The company have pledged 500 000 of units in KNOT Offshore Partners L.P. as security for certain of its interest rate swap. Aggregate book value for the pledged units are NOK 59,6 million.

The company seek 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 also are denominated in the same currency, this limits the company's foreign exchange risk.

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2023 and the profit & loss account and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statements of financial position as at 31 December 2023, statements of total comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the CEO) is 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 board of directors' report contains the information required by applicable legal requirements and 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that

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the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act. Management is responsible 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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 and the Group to cease to continue as a going concern.

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- 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 the board of directors 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.

Oslo, 12 April 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

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Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

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

Birkeland, Magnus Hegertun
Statsautorisert revisor
På vegne av: ERNST & YOUNG AS
Serienummer: no_bankid:9578-5990-4-2796687
IP: 147.161.xxx.xxx
2024-04-12 14:52:17 UTC

bankID

Skattedirektoratet

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

Ernst & Young AS
Postboks 6163, Postterminalen
5892 Bergen

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

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

- Knutsen NYK Offshore Tankers AS org. nr: 995 221 713

samt følgende datterselskap:

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

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		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/forretningsspråk... "

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

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