



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	998 942 829
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KNOT SHUTTLE TANKERS AS
Forretningsadresse:	Smedasundet 40 5529 HAUGESUND

### Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023
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### Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

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

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet:	20.03.2024

### 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, 16.05.2025



### Resultatregnskap

Beløp i: NOK	Note	2023	2022
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Administration	1	1 165 301	894 213
<b>Sum kostnader</b>		<b>1 165 301</b>	<b>894 213</b>
<b>Driftsresultat</b>		<b>-1 165 301</b>	<b>-894 213</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	2	910 780 402	318 338 474
Foreign exchange gain/loss		-61 915 261	-57 778 741
<b>Sum finansinntekter</b>		<b>848 865 141</b>	<b>260 559 733</b>
Financial expenses	2	104 949 681	52 240 080
<b>Sum finanskostnader</b>		<b>104 949 681</b>	<b>52 240 080</b>
<b>Netto finans</b>		<b>743 915 460</b>	<b>208 319 653</b>
<b>Ordinært resultat før skattekostnad</b>		<b>742 750 158</b>	<b>207 425 440</b>
Taxes	3	-47 001 694	8 980 170
<b>Ordinært resultat etter skattekostnad</b>		<b>789 751 852</b>	<b>198 445 270</b>
<b>Årsresultat</b>		<b>789 751 852</b>	<b>198 445 270</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>789 751 852</b>	<b>198 445 270</b>
<b>Totalresultat</b>		<b>789 751 852</b>	<b>198 445 270</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utsatt skattefordel	3	44 423 596	
<b>Sum immaterielle eiendeler</b>		<b>44 423 596</b>	
<b>Finansielle anleggsmidler</b>			
Investering i annet foretak i samme konsern	4	4 078 424 114	3 852 072 361
<b>Sum finansielle anleggsmidler</b>		<b>4 078 424 114</b>	<b>3 852 072 361</b>
<b>Sum anleggsmidler</b>		<b>4 122 847 710</b>	<b>3 852 072 361</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Receivables	9	77 047	67 671
Konsernfordringer		35 900 227	135 648 868
<b>Sum fordringer</b>		<b>35 977 274</b>	<b>135 716 539</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bank deposits	5	97 897 675	80 885 845
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>97 897 675</b>	<b>80 885 845</b>
<b>Sum omløpsmidler</b>		<b>133 874 950</b>	<b>216 602 384</b>
<b>SUM EIENDELER</b>		<b>4 256 722 660</b>	<b>4 068 674 745</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital		606 000 000	606 000 000
Overkurs		1 696 082 680	1 696 082 680
<b>Sum innskutt egenkapital</b>		<b>2 302 082 680</b>	<b>2 302 082 680</b>



## Balanse

Beløp i: NOK	Note	2023	2022
<b>Opptjent egenkapital</b>			
Other equity		868 913 209	198 445 270
Udekket tap	6		
<b>Sum opptjent egenkapital</b>		<b>868 913 209</b>	<b>198 445 270</b>
<b>Sum egenkapital</b>	6, 7	<b>3 170 995 889</b>	<b>2 500 527 950</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	3	1 138 934	2 577 659
<b>Sum avsetninger for forpliktelser</b>		<b>1 138 934</b>	<b>2 577 659</b>
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	8	510 124 999	1 039 231 034
Langsiktig konserngjeld	8	456 765 925	479 479 440
<b>Sum annen langsiktig gjeld</b>		<b>966 890 924</b>	<b>1 518 710 474</b>
<b>Sum langsiktig gjeld</b>		<b>968 029 858</b>	<b>1 521 288 133</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	9	374 511	316 973
Tax payable	3	284 734	6 402 502
Kortsiktig konserngjeld		115 021 685	31 926 057
Other current liabilities		2 015 983	8 213 130
<b>Sum kortsiktig gjeld</b>		<b>117 696 913</b>	<b>46 858 662</b>
<b>Sum gjeld</b>		<b>1 085 726 771</b>	<b>1 568 146 795</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>4 256 722 660</b>	<b>4 068 674 745</b>



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### **Report of Independent Registered Public Accounting Firm**

To the Unitholders and the Board of Directors of KNOT Offshore Partners LP

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of KNOT Offshore Partners LP (the Partnership) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in partners' capital and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 11, 2024, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



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### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Description of the Matter*

##### **Vessel impairment**

The carrying value of the Partnership's vessels was \$1,493 million as of December 31, 2023. As explained in Notes 2(n) and 21 to the consolidated financial statements, the Partnership assesses vessels for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If impairment indicators are identified, the Partnership compares the undiscounted cash flows expected to be generated by that vessel to the carrying value (recoverability test). If the carrying value of the vessel is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. During the year ended December 31, 2023, the Partnership recognized an impairment loss of \$49.6 million to write down two vessels' carrying value to its estimated fair value. Auditing the Partnership's measurement of the impairment loss was complex due to the significant estimation uncertainty and judgement in forecasting the future cash flows of the vessels. Specifically, these cash flow estimates are sensitive to significant assumptions including the discount rate, estimation of daily charter rates, vessel utilization and the costs of future drydockings.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Partnership's impairment assessment process, including controls over management's review of the significant assumptions described above.

To audit the recoverability test, we performed audit procedures that included, among others, analyzing management's recoverability test by comparing the methodology used against accounting guidance under ASC 360 and practices common in the industry. We tested the reasonableness of estimated daily charter rates by comparing them to charter rates obtained in the past, third party analyst reports developed by independent market research firms, recent shuttle tanker tender activity undertaken by the Partnership and historical charter rate information. We tested the source information underlying the calculation as well as the mathematical accuracy of the model. We involved our valuation specialists to assist in developing a range of independent discount rate estimates and compared those to the discount rate selected by management.

We assessed whether the vessel utilization assumptions were reasonable based on historical utilization of the Partnership's vessels. We also reviewed market reports and analyzed how the economic factors such as future demand and supply for shuttle tankers have been incorporated in the charter rates. We compared the estimated costs of future drydocking estimates to budgets and to historical drydocking costs adjusted for factors such as inflation and planned future installations. We also assessed the adequacy of the vessel impairment disclosures as included in Note 2(n), Note 14 and Note 21 of the consolidated financial statements.

/s/ Ernst & Young AS

We have served as the Partnership's auditor since 2013.

Oslo, Norway  
April 11, 2024



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### **Report of Independent Registered Public Accounting Firm**

To the Unitholders and the Board of Directors of KNOT Offshore Partners LP

#### **Opinion on Internal Control Over Financial Reporting**

We have audited KNOT Offshore Partners LP's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, KNOT Offshore Partners LP (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Partnership and our report dated April 11, 2024 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young AS

Oslo, Norway  
April 11, 2024



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**KNOT OFFSHORE PARTNERS LP**

**Consolidated Statements of Operations**

**For the Years Ended December 31, 2023, 2022 and 2021**

(U.S. Dollars in thousands, except per unit amounts)

	Year Ended December 31,		
	2023	2022	2021
Operating revenues: (Notes 2(e), 5, 6 and 19)			
Time charter and bareboat revenues	\$ 277,084	\$ 262,797	\$ 269,306
Voyage revenues	8,849	4,689	—
Loss of hire insurance recoveries (Notes 2(t) and 8)	2,840	758	11,450
Other income	1,943	341	373
Total revenues (Notes 2(e), 5, 6, 8 and 19)	290,716	268,585	281,129
Operating expenses:			
Vessel operating expenses (Notes 2(e) and 19)	93,351	86,032	72,114
Voyage expenses and commission	5,536	2,814	—
Depreciation (Note 14)	110,902	107,419	99,559
Impairment (Notes 2(n), 14 and 21)	49,649	—	29,421
General and administrative expenses	6,142	6,098	6,461
Total operating expenses	265,580	202,363	207,555
Operating income (loss)	25,136	66,222	73,574
Finance income (expense): (Notes 2(f) and 19)			
Interest income	3,468	822	2
Interest expense (Note 9(a))	(72,070)	(42,604)	(28,065)
Other finance expense (Note 9(b))	(589)	(628)	(1,011)
Realized and unrealized gain (loss) on derivative instruments (Note 10)	5,369	35,510	9,960
Net gain (loss) on foreign currency transactions	(237)	220	(96)
Total finance expense	(64,059)	(6,680)	(19,210)
Income (loss) before income taxes	(38,923)	59,542	54,364
Income tax benefit (expense) (Notes 2(r) and 18)	4,595	(875)	(488)
Net income (loss)	\$ (34,328)	\$ 58,667	\$ 53,876
Series A Preferred unitholders' interest in net income (loss)	\$ 6,800	\$ 6,800	\$ 6,900
General Partner's interest in net income (loss)	(760)	951	862
Limited Partners' interest in net income (loss)	(40,368)	50,916	46,114
Earnings per unit (Basic): (Note 22)			
Common unit (basic)	\$ (1.19)	\$ 1.48	\$ 1.38
Class B unit (basic)	\$ —	\$ 1.48	\$ 2.62
General Partner unit (basic)	\$ (1.19)	\$ 1.48	\$ 1.38
Earnings per unit (Diluted): (Note 22)			
Common unit (diluted)	\$ (1.19)	\$ 1.48	\$ 1.38
Class B unit (diluted)	\$ —	\$ 1.48	\$ 2.62
General Partner unit (diluted)	\$ (1.19)	\$ 1.48	\$ 1.38

The accompanying notes are an integral part of these financial statements.



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**KNOT OFFSHORE PARTNERS LP**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2023, 2022 and 2021**

(U.S. Dollars in thousands)

	Year Ended December 31,		
	2023	2022	2021
Net income (loss)	\$ (34,328)	\$ 58,667	\$ 53,876
Other comprehensive income, net of tax	—	—	—
Comprehensive income (loss)	<u>\$ (34,328)</u>	<u>\$ 58,667</u>	<u>\$ 53,876</u>

The accompanying notes are an integral part of these financial statements.



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**KNOT OFFSHORE PARTNERS LP**

**Consolidated Balance Sheets**

**As of December 31, 2023 and 2022**

**(U.S. Dollars in thousands)**

<i>(U.S. Dollars in thousands)</i>	<u>At December 31, 2023</u>	<u>At December 31, 2022</u>
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents (Notes 2(g) and 11)	\$ 63,921	\$ 47,579
Amounts due from related parties (Note 19(c))	348	1,998
Inventories (Notes 2(i) and 13)	3,696	5,759
Derivative assets (Notes 2(q), 10 and 11)	13,019	15,070
Other current assets (Notes 2(j), 12(a) and 12(b))	8,795	15,528
<b>Total current assets</b>	<u>89,779</u>	<u>85,934</u>
<i>Long-term assets:</i>		
Vessels, net of accumulated depreciation (Notes 2(k), 2(l), 2(m), 14 and 19(a))	1,492,998	1,631,380
Right-of-use assets (Notes 2(l) and 6)	2,126	2,261
Deferred tax assets (Notes 2(r) and 18)	4,358	—
Derivative assets (Notes 2(q), 10 and 11)	7,229	14,378
<b>Total Long-term assets</b>	<u>1,506,711</u>	<u>1,648,019</u>
<b>Total assets</b>	<u>\$ 1,596,490</u>	<u>\$ 1,733,953</u>
<b>LIABILITIES AND EQUITY</b>		
<i>Current liabilities:</i>		
Trade accounts payable (Note 19(d))	\$ 10,243	\$ 4,268
Accrued expenses (Note 16)	14,775	10,651
Current portion of long-term debt (Notes 11 and 17)	98,960	369,787
Current lease liabilities (Note 6)	982	715
Income taxes payable (Notes 2(r) and 18)	44	699
Current portion of contract liabilities (Notes 2(o) and 15(b))	—	651
Prepaid charter (Note 2(s))	467	1,504
Amount due to related parties (Note 19(c))	2,106	1,717
<b>Total current liabilities</b>	<u>127,577</u>	<u>389,992</u>
<i>Long-term liabilities:</i>		
Long-term debt (Notes 2(p), 11 and 17)	857,829	686,601
Lease liabilities (Note 6)	1,144	1,546
Deferred tax liabilities (Notes 2(r) and 18)	127	424
Deferred revenues (Note 2(e))	2,336	3,178
<b>Total long-term liabilities</b>	<u>861,436</u>	<u>691,749</u>
<b>Total liabilities</b>	<u>989,013</u>	<u>1,081,741</u>
<i>Commitments and contingencies (Notes 2(t) and 20)</i>		
<b>Series A Convertible Preferred Units (Notes 22 and 23)</b>	84,308	84,308
<b>Equity:</b>		
Partners' capital:		
Common unitholders: 34,045,081 units issued and outstanding at December 31, 2023 and 2022, respectively	510,013	553,922
Class B unitholders: 252,405 units issued and outstanding at December 31, 2023 and 2022, respectively	3,871	3,871
General partner interest: 640,278 units issued and outstanding at December 31, 2023 and 2022, respectively	9,285	10,111
<b>Total partners' capital</b>	<u>523,169</u>	<u>567,904</u>
<b>Total liabilities and equity</b>	<u>\$ 1,596,490</u>	<u>\$ 1,733,953</u>

The accompanying notes are an integral part of these financial statements.



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**KNOT OFFSHORE PARTNERS LP**  
**Consolidated Statements of Changes in Partners' Capital**  
**For the Years Ended December 31, 2023, 2022 and 2021**

(U.S. Dollars in thousands)

<i>(U.S. Dollars in thousands)</i>	Partners' Capital			Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital	Series A Convertible Preferred Units
	Common Units	Class B Units	General Partner Units			
<b>Consolidated balance at December 31, 2020</b>	<b>\$ 597,390</b>	<b>\$ —</b>	<b>\$ 10,895</b>	<b>\$ —</b>	<b>\$ 608,285</b>	<b>\$ 89,264</b>
Net income	45,466	648	862	—	46,976	6,900
Conversion of preferred units to common units	4,856	—	—	—	4,856	(4,856)
Net proceeds from issuance of General Partner units	—	—	451	—	451	—
IDR Exchange	(10,079)	10,463	(384)	—	—	—
Net proceeds from ATM program	525	—	—	—	525	—
Conversion of Class B to common units (1)	1,308	(1,308)	—	—	—	—
Other comprehensive income	—	—	—	—	—	—
Cash distributions	(70,704)	(350)	(1,332)	—	(72,386)	(7,000)
<b>Consolidated balance at December 31, 2021</b>	<b>\$ 568,762</b>	<b>\$ 9,453</b>	<b>\$ 10,492</b>	<b>\$ —</b>	<b>\$ 588,707</b>	<b>\$ 84,308</b>
Net income	50,297	619	951	—	51,867	6,800
Conversion of Class B to common units (1)	5,238	(5,238)	—	—	—	—
Other comprehensive income	—	—	—	—	—	—
Cash distributions	(70,375)	(963)	(1,332)	—	(72,670)	(6,800)
<b>Consolidated balance at December 31, 2022</b>	<b>\$ 553,922</b>	<b>\$ 3,871</b>	<b>\$ 10,111</b>	<b>\$ —</b>	<b>\$ 567,904</b>	<b>\$ 84,308</b>
Net income (loss)	(40,368)	—	(760)	—	(41,128)	6,800
Conversion of Class B to common units (1)	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—
Cash distributions	(3,541)	—	(66)	—	(3,607)	(6,800)
<b>Consolidated balance at December 31, 2023</b>	<b>\$ 510,013</b>	<b>\$ 3,871</b>	<b>\$ 9,285</b>	<b>\$ —</b>	<b>\$ 523,169</b>	<b>\$ 84,308</b>

(1) On September 7, 2021, the Partnership entered into an exchange agreement with Knutsen NYK and the Partnership's general partner whereby Knutsen NYK contributed to the Partnership all of Knutsen NYK's IDRs, in exchange for the issuance by the Partnership to Knutsen NYK of 673,080 common units and 673,080 Class B Units, whereupon the IDRs were cancelled. As of December 31, 2021, 84,135 of the Class B Units had been converted to common units. As of December 31, 2022, 420,675 of the Class B Units had been converted to common units. As of December 31, 2023, 420,675 of the Class B Units had been converted to common units.

The accompanying notes are an integral part of these financial statements.



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**KNOT OFFSHORE PARTNERS LP**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2023, 2022 and 2021**  
**(U.S. Dollars in thousands)**

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
<b>OPERATING ACTIVITIES</b>			
Net income (loss) (1)	\$ (34,328)	\$ 58,667	\$ 53,876
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	110,902	107,419	99,559
Impairment	49,649	—	29,421
Amortization of contract intangibles / liabilities	(651)	(1,442)	(912)
Amortization of deferred revenue	(467)	—	—
Amortization of deferred debt issuance cost	2,503	2,692	3,519
Drydocking expenditure	(19,375)	(17,614)	(4,235)
Income tax expense	(4,595)	875	488
Income taxes paid	(665)	(422)	(83)
Unrealized (gain) loss on derivative instruments	9,200	(38,490)	(20,054)
Unrealized (gain) loss on foreign currency transactions	67	49	13
Changes in operating assets and liabilities:			
Decrease (increase) in amounts due from related parties	1,650	723	3,058
Decrease (increase) in inventories	2,139	(2,163)	(653)
Decrease (increase) in other current assets	6,735	(9,689)	(117)
Decrease (increase) in accrued revenue	—	1,450	1,418
Increase (decrease) in trade accounts payable	5,867	251	18
Increase (decrease) in accrued expenses	4,125	3,528	1,048
Increase (decrease) prepaid charter	(1,504)	(4,682)	763
Increase (decrease) in amounts due to related parties	389	(210)	(716)
<b>Net cash provided by operating activities</b>	<b>131,641</b>	<b>100,942</b>	<b>166,411</b>
<b>INVESTING ACTIVITIES</b>			
(additions) to vessel and equipment	(2,779)	(3,309)	(11,536)
Acquisition of <i>Symøve Knutsen</i> (net of cash acquired)	—	(32,205)	—
<b>Net cash used in investing activities</b>	<b>(2,779)</b>	<b>(35,514)</b>	<b>(11,536)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	250,000	167,000	444,300
Repayment of long-term debt	(349,642)	(166,609)	(505,822)
Payment of debt issuance cost	(2,461)	(889)	(5,215)
Cash distributions	(10,407)	(79,470)	(79,386)
Net proceeds from issuance of General Partner units	—	—	451
Net proceeds from public offering	—	—	525
<b>Net cash used in financing activities</b>	<b>(112,510)</b>	<b>(79,968)</b>	<b>(145,147)</b>
Effect of exchange rate changes on cash	(10)	(174)	(18)
Net increase (decrease) in cash and cash equivalents	16,342	(14,714)	9,710
Cash and cash equivalents at the beginning of the period	47,579	62,293	52,583
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 63,921</b>	<b>\$ 47,579</b>	<b>\$ 62,293</b>

(1) Included in net income is interest paid amounting to \$69.3 million, \$37.3 million and \$25.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The accompanying notes are an integral part of these financial statements.



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### **KNOT OFFSHORE PARTNERS LP Notes to Consolidated Financial Statements**

#### **1) Description of Business**

KNOT Offshore Partners LP (the "Partnership") was formed as a limited partnership under the laws of the Republic of the Marshall Islands. The Partnership was formed for the purpose of acquiring 100% ownership interests in four shuttle tankers owned by Knutsen NYK Offshore Tankers AS ("KNOT") in connection with the Partnership's initial public offering of its common units (the "IPO"), which was completed on April 15, 2013.

As of December 31, 2023, the Partnership had a fleet of eighteen shuttle tankers, the *Windsor Knutsen*, the *Bodil Knutsen*, the *Recife Knutsen*, the *Fortaleza Knutsen*, the *Carmen Knutsen*, the *Hilda Knutsen*, the *Torill Knutsen*, the *Dan Cisne*, the *Dan Sabia*, the *Ingrid Knutsen*, the *Raquel Knutsen*, the *Tordis Knutsen*, the *Vigdís Knutsen*, the *Lena Knutsen*, the *Brasil Knutsen*, the *Anna Knutsen*, the *Tove Knutsen* and the *Synnøve Knutsen*, each referred to as a "Vessel" and, collectively, as the "Vessels". The Vessels operate under fixed charter contracts to charterers, with expiration dates between 2024 and 2027. Please see Note 6—Operating Leases.

The consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern.

The Partnership expects that its primary future sources of funds will be available cash, cash from operations, borrowings under any new loan agreements and the proceeds of any debt or equity financings, including net proceeds from sales under its ATM program. The Partnership believes that these sources of funds (assuming the current rates earned from existing charters) will be sufficient to cover operational cash outflows, working capital requirements and ongoing obligations under the Partnership's lease obligations and financing commitments to pay loan interest and make scheduled loan repayments and to make distributions on its outstanding units assuming the Partnership is able to timely refinance its maturing credit facilities on similar terms as its existing facilities. Accordingly, as of April 11, 2024, the Partnership believes that its current resources are sufficient to meet working capital requirements and other cash requirements for its current business for at least the next twelve months. See Note 17—Long-Term Debt.

#### **2) Summary of Significant Accounting Policies**

##### **(a) Basis of Preparation**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All intercompany balances and transactions are eliminated on consolidation.

The consolidated financial statements include the financial statements of the entities listed in Note 4—Subsidiaries

##### **(b) Business Combinations and Asset Acquisitions**

Business combinations are accounted for under the purchase method of accounting. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. The consideration transferred for an acquisition is measured at fair value of the consideration given. Acquisition related costs are expensed as incurred. The results of operations of the acquired businesses are included in the consolidated results as of the date of the applicable acquisition.

Dependent on the facts and circumstances, the assessment of a transaction may be considered the acquisition of an asset, when substantially all of the fair value of assets acquired is concentrated in a single identifiable asset, rather than a business combination. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Acquisition related costs are capitalized as a component of the assets acquired. See Note 24—Acquisitions.



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### **(c) Reporting Currency**

The consolidated financial statements are prepared in the reporting currency of U.S. Dollars. The functional currency of the vessel-owning Partnership subsidiaries is the U.S. Dollar, because the subsidiaries operate in the international shipping market, in which all revenues are U.S. Dollar-denominated and the majority of expenditures are made in U.S. Dollars. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. As of the balance sheet dates, monetary assets and liabilities that are denominated in currencies other than the U.S. Dollar are translated to reflect the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.

### **(d) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives and impairment of Vessels, drydocking, purchase price allocation and income taxes.

### **(e) Revenues and Operating Expenses**

The Partnership's time charter contracts include both a lease component, consisting of the lease of the vessel, and non-lease component, consisting of operation of the vessel for the customers. The lease element is accounted for as an operating lease on a straight-line basis over the term of the charter, while the non-lease service element consisting of the operation of the vessel is recognized over time as the services are delivered. Revenue from time charters is not recognized during days the Vessel is off-hire. Revenue is recognized from delivery of the Vessel to the charterer, until the end of the contract period. Under bareboat charters, the Partnership provides a specified Vessel for a fixed period of time at a specified day rate and the Partnership recognizes revenues from bareboat charters as operating leases on a straight-line basis over the term of the charter. Where the term of the contract is based on the duration of a single voyage, the Partnership evaluates whether the voyage contain leases and, if so, recognizes lease revenue as described above, and if not, recognizes revenue in accordance with ASC 606 upon the satisfaction of the performance obligations in the contract on a load-to-discharge basis.

In connection with the installation of the volatile organic compound emissions ("VOC") control equipment on the Bodil Knutsen, the Partnership is receiving a grant to compensate for expenses incurred in relation to the retrofit of the vessel, the installation of the equipment and maintenance and operation of the unit. These grants or contributions are recorded as deferred revenue when they are received. The deferred revenue is recognized as other income over the useful life of the related asset.

Voyage expenses are paid by the customer under time charter and bareboat charters. Voyage expenses are paid by the Partnership for spot contracts and during periods of off-hire and are recognized when incurred.

Vessel operating expenses include commissions, crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. Vessel operating expenses are paid by the Partnership for time charters, spot contracts and during off-hire and are recognized when incurred.

The Partnership directly employs one onshore employee and no seagoing employees. Related parties have provided the management services for the Vessels and employ the crews that work on the Vessels. The Partnership is not liable for any pension or post-retirement benefits. See Note 19—Related Party Transactions.

### **(f) Financial Income (Expense)**

Other finance expenses include external bank fees and commitment fees paid on undrawn revolving credit facility.



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### **(g) Cash and Cash Equivalents**

The Partnership considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### **(h) Trade Accounts Receivable**

Accounts receivables are recorded at the invoiced amount and do not bear interest. Time charter and bareboat charter contracts require customers to pay in advance of the period of hire.

The allowance for expected credit losses is the Partnership's best estimate of the expected credit losses over the remaining lives of the assets. Expected credit losses are estimated using historical credit loss experience, relevant available information, from internal and external sources, relating to current conditions and reasonable and supportable forecasts of economic conditions impacting the collectability of the assets. There was no allowance for expected credit loss or amounts written off against the allowance as of December 31, 2023, 2022 and 2021.

The Partnership does not have any off-balance-sheet credit exposure related to its customers.

### **(i) Inventories**

Inventories, which are comprised of lubricating oils and, for vessels not operating on time charter or bareboat charter, also bunkers, are stated at the lower of cost or net realizable value. For vessels on time charters or bareboat charters, there are no bunkers, as the charterer supplies the bunkers, which principally consist of fuel oil. Cost is determined using the first-in, first-out method for all inventories.

### **(j) Other Current Assets**

Other current assets principally consist of prepaid expenses and other receivables.

### **(k) Vessels and Equipment**

Vessels and equipment are stated at the historical acquisition or construction cost, including capitalized interest, supervision and technical and delivery cost, 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.

Generally, the Partnership 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. For vessels operating on time charters, the Partnership capitalizes the costs directly associated with the classification and regulatory requirements for inspection of the vessels and improvements incurred during drydocking. Drydock cost is depreciated on a straight-line basis over the period until the next planned drydocking takes place. The Partnership expenses costs related to routine repairs and maintenance performed during drydocking or as otherwise incurred. For vessels that are newly built or acquired, an element of the cost of the vessel is initially allocated to a drydock component and depreciated on a straight-line basis over the period until the next planned drydocking. When significant dry-docking expenditures occur prior to the expiration of this period, the Partnership expenses the remaining balance of the original drydocking cost in the month of the subsequent drydocking. For vessels operating on bareboat charters, the charter-party bears the cost of any drydocking.



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Depreciation on vessels and equipment is calculated on a straight-line basis over the asset's estimated useful life, less an estimated residual value, as follows:

	<u>Useful Life</u>
Hull	23 years
Anchor-handling, loading and unloading equipment	23 years
Main/auxiliary engine	23 years
Thruster, dynamic positioning systems, cranes and other equipment	23 years
Drydock costs	2.5 – 5 years

A vessel is depreciated to its estimated residual value, which is calculated based on the weight of the ship and estimated steel price. Any cost related to the disposal is deducted from the residual value.

Historically, the useful life of the Partnership's vessels and equipment was assessed as 25 years commencing from the date the vessel and equipment were delivered from the shipyard. As of June 30, 2021, the Partnership 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 has reassessed the useful life as being 23 years.

### ***(l) Right-of-use assets and lease liabilities***

The Partnership assesses whether a contract contains a lease at inception of the contract. The assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Partnership obtains substantially all the economic benefits from the use of that asset, and whether the Partnership has the right to direct the use of the asset. The Partnership does not separate lease components from non-lease components as lessee. The Partnership recognizes a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less, which are expensed on a straight-line basis over the lease term.

### ***(m) Capitalized Interest***

Interest expense incurred on the Partnership's debt during the construction of the Vessels exceeding one year is capitalized during the construction period.

### ***(n) Impairment of Long-Lived Assets***

Vessels and equipment, vessels under construction and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. See Note 21—Impairment of Long - Lived Assets.

### ***(o) Intangibles***

Intangible assets represent contractual rights for charters obtained in connection with business and asset acquisitions that have favorable contractual terms relative to market as of the acquisition dates. Contract liabilities represent contractual rights obtained in connection with business acquisitions that have unfavorable contractual terms relative to market as of the acquisition dates. The favorable and unfavorable contract rights have definite lives and are amortized to revenues over the period of the related contracts. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the estimated fair value of the asset.



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The contract related intangible assets and liabilities and their amortization periods at acquisition dates are as follows:

<u>Intangible category</u>	<u>Amortization Period</u>
Above market time charter— <i>Tordis Knutsen</i>	4.8 years
Above market time charter— <i>Vigdis Knutsen</i>	4.9 years
Unfavorable contractual rights— <i>Fortaleza Knutsen</i>	12 years
Unfavorable contractual rights— <i>Recife Knutsen</i>	12 years

The intangible for the above market value of the time charter contract associated with the *Tordis Knutsen* was amortized to time charter revenue on a straight-line basis over the remaining term of the contract of approximately 4.8 years as of the acquisition date and which expired in December 2021. The intangible for the above market value of the time charter contract associated with the *Vigdis Knutsen* was amortized to time charter revenue on a straight-line basis over the remaining term of the contract of approximately 4.9 years as of the acquisition date and which expired in March 2022.

The unfavorable contractual rights for charters associated with *Fortaleza Knutsen* and *Recife Knutsen* were obtained in connection with a step acquisition in 2008 that had unfavorable contractual terms relative to market as of acquisition date. The *Fortaleza Knutsen* and the *Recife Knutsen* commenced on their 12 years' fixed bareboat charters in March 2011 and August 2011, respectively. The unfavorable contract rights related to *Fortaleza Knutsen* and *Recife Knutsen* are amortized to bareboat revenues on a straight-line basis over the 12 years' contract period that expired in March 2023 and August 2023, respectively.

### **(p) Debt Issuance Costs**

Debt issuance costs, including fees, commissions and legal expenses, are deferred and presented net of debt. Debt issuance costs of term loans are amortized over the term of the relevant loan. Amortization of debt issuance costs is included in interest expense. These costs are presented as a deduction from the corresponding liability, consistent with debt discount.

### **(q) Derivative Instruments**

The Partnership uses derivatives to reduce market risks associated with its operations. The Partnership uses interest rate swaps for the management of interest risk exposure. The interest rate swaps effectively convert a portion of the Partnership's debt from a floating to a fixed rate over the life of the transactions without an exchange of underlying principal.

The Partnership seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency forward contracts.

All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying consolidated balance sheets and subsequently measured to fair value. The Partnership does not apply hedge accounting to its derivative instruments. Changes in the fair value of the derivative instruments are recognized in earnings. Gains and losses from the interest rate swap contracts of the Partnership related to long-term mortgage debt and foreign exchange forward contracts are recorded in realized and unrealized gain (loss) on derivative instruments in the consolidated statements of operations. Cash flows related to interest rate swap contracts are presented as cash flows provided by operating activities. Cash flows related to foreign exchange forward contracts entered into to economically hedge operating expenses in currencies other than U.S. Dollars are presented as cash flows provided by operating activities in the consolidated statements of cash flows, while cash flows related to foreign exchange forward contracts entered into to hedge contractual obligations to pay the shipyard in currencies other than functional currency of U.S. Dollars are presented as cash flows used in investing activities in the consolidated statements of cash flows.



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### *(r) Income Taxes*

Historically, part of the Partnership's activities were subject to ordinary taxation and taxes were paid on taxable income (including operating income and net financial income and expense), while part of the activities were subject to the Norwegian Tonnage Tax Regime (the "tonnage tax regime"). Under the tonnage tax regime, tax is based on the tonnage of the vessel, and not operating income. Net financial income and expense remain taxable as ordinary income at the regular corporate income tax rate. Income taxes arising from the part of activities subject to ordinary taxation are included in income tax expense in the consolidated statements of operations. For the portion of activities subject to the tonnage tax regime, tonnage taxes are classified as vessel operating expenses, while the current and deferred taxes arising on net financial income and expense are reflected as income tax expense in the consolidated statements of operations. See Note 18—Income Taxes.

The Partnership accounts for deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Partnership's assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

Recognition of uncertain tax positions is dependent upon whether it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If a tax position meets the more-likely-than-not recognition threshold, it is measured to determine the amount of benefit to recognize in the consolidated financial statements based on U.S. GAAP guidance. The Partnership recognizes interest and penalties related to uncertain tax positions in income tax expense.

### *(s) Prepaid Charter*

Under terms of the time charters and bareboat charters, the customer pays for the month's charter the first day of each month that is recorded as prepaid charter revenues.

### *(t) Commitments, Contingencies and Insurance Proceeds*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. See Note 20—Commitments and Contingencies

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

### *(u) Fair Value Measurements*

The Partnership utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Partnership determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- *Level 1 Inputs:* Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- *Level 2 Inputs:* Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.



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- *Level 3 Inputs*: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

### **(v) Recently Adopted Accounting Standards**

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2020-04 Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The update provides temporary optional expedients and exceptions to the guidance in US GAAP on contract modifications and hedge accounting, to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. For all types of hedging relationships, the guidance allows an entity to change the reference rate and other critical terms related to reference rate reform without having to de-designate the relationship.

The objective of the guidance in Topic 848 is to provide temporary relief during the transition period. The FASB included a sunset provision within Topic 848 based on expectations of when the LIBOR would cease being published. At the time that Update 2020-04 was issued, the UK Financial Conduct Authority (“FCA”) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022 - 12 months after the expected cessation date of all currencies and tenors of LIBOR. In March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-months tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. Because of the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in Update 2022-06 defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Although the Partnership does not apply hedge accounting, the Partnership has debt and interest rate swaps that reference LIBOR. The Partnership has determined that reference rate reforms will primarily impact its floating rate debt facilities and the interest rate derivatives to which the Partnership is a party.

Commencing January 1, 2023, all new contracts that the Partnership has or will enter into, are or will be based on an alternative reference rate, the Secured Overnight Financing Rate (“SOFR”). For certain existing contracts that reference LIBOR, the Partnership has entered into amendments to contracts affected by reference rate reform, and the Partnership will continue to assess remaining contracts prospectively, applying the optional expedients and exceptions where available.

### **(w) New Accounting Standards Not Yet Adopted**

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

### **3) Formation Transactions and Initial Public Offering**

During April 2013, the following transactions occurred in connection with KNOT’s transfer of the interests in KNOT Shuttle Tankers AS and the subsequent IPO:

#### *Capital Contribution*

- KNOT contributed to the Partnership’s subsidiary KNOT Offshore Partners UK LLC (“KNOT UK”) its 100% interest in KNOT Shuttle Tankers AS, which directly or indirectly owned (1) Knutsen Shuttle Tankers XII KS, the owner of the *Recife Knutsen* and the *Fortaleza Knutsen*, (2) Knutsen Shuttle Tankers XII AS, the general partner of Knutsen Shuttle Tankers XII KS, and (3) the *Windsor Knutsen* and the *Bodil Knutsen* and all of their related charters, inventory and long-term debt. This was accounted for as a capital contribution by KNOT to the Partnership.

#### *Recapitalization of the Partnership*

- The Partnership issued to KNOT 8,567,500 subordinated units, representing a 49.0% limited partner interest in the Partnership, and 100% of the incentive distribution rights (“IDRs”), which entitled KNOT to increasing percentages of the cash the Partnership distributed in excess of \$0.43125 per unit per quarter.



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- (iii) The Partnership issued 349,694 general partner units to the General Partner representing a 2.0% general partner interest in the Partnership.

### *Initial Public Offering*

- (iv) In connection with the IPO, the Partnership issued and sold to the public, through the underwriters, 8,567,500 common units (including 1,117,500 common units sold pursuant to the full exercise of the underwriters' option to purchase additional units), representing a 49.0% limited partner interest in the Partnership. The price per common unit in the IPO was \$21.00. The Partnership received gross proceeds of approximately \$179.9 million in connection with the IPO. Expenses relating to the IPO, including, among other things, incremental costs directly attributable to the IPO, were deferred and charged against the gross proceeds of the IPO, whereas other costs were expensed as incurred. The net proceeds of the IPO (approximately \$160.7 million, after deducting underwriting discounts, commissions and structuring fees and offering expenses payable by the Partnership) were used by the Partnership to make a cash distribution to KNOT of approximately \$21.95 million (which equals net proceeds from the underwriters' option exercised in full after deducting the underwriting discounts and commissions), to repay approximately \$118.9 million of outstanding debt and pre-fund approximately \$3.0 million of the Partnership's one-time entrance tax into the Norwegian tonnage tax regime. The remainder of the net proceeds was made available for general partnership purposes.

### *Agreements*

In connection with the IPO, at or prior to the closing of the IPO, the Partnership entered into several agreements, including:

- An Administrative Services Agreement with KNOT UK, pursuant to which:
  - KNOT UK agreed to provide to the Partnership administrative services; and
  - KNOT UK is permitted to subcontract certain of the administrative services provided under the administrative services agreement to Knutsen OAS (UK) Ltd. ("KOAS UK") and Knutsen OAS Shipping AS ("KOAS"), both wholly owned subsidiaries of TS Shipping Invest AS ("TSSI");
- Amended Technical Management Agreements with KNOT Management AS ("KNOT Management"), a wholly owned subsidiary of KNOT, that govern the crew, technical and commercial management of the vessels in the fleet;
- A Contribution and Sale Agreement with KNOT pursuant to which the Partnership acquired the entities that comprised its initial fleet;
- Amendments to certain of the Partnership's existing vessel financing agreements to permit the transactions pursuant to which the Partnership acquired its initial fleet in connection with the IPO and to include a \$20.0 million revolving credit facility; and
- An Omnibus Agreement with KNOT, the General Partner and the other parties thereto governing, among other things:
  - To what extent the Partnership and KNOT may compete with each other;
  - The Partnership's option to purchase the *Carmen Knutsen*, the *Hilda Knutsen*, the *Torill Knutsen*, the *Ingrid Knutsen* and the *Raquel Knutsen* from KNOT;
  - Certain rights of first offer on shuttle tankers operating under charters of five or more years;
  - The provision of certain indemnities to the Partnership by KNOT; and



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- KNOT's guarantee of the payment of the hire rate under the original *Bodil Knutsen* and *Windsor Knutsen* charters for a period of five years following the closing date of the IPO.

## 4) Subsidiaries

The following table lists the Partnership's subsidiaries and their purpose as of December 31, 2023.

<u>Company Name</u>	<u>Jurisdiction of Formation</u>	<u>Purpose</u>
KNOT Offshore Partners UK LLC	Marshall Islands	Holding Company
KNOT Shuttle Tankers AS	Norway	Holding Company
KNOT Shuttle Tankers 17 AS	Norway	Owner of the <i>Bodil Knutsen</i>
KNOT Shuttle Tankers 18 AS	Norway	Owner of the <i>Windsor Knutsen</i>
Knutsen Shuttle Tankers XII AS	Norway	Owner of the <i>Fortaleza Knutsen</i> and the <i>Recife Knutsen</i>
Knutsen Shuttle Tankers 13 AS	Norway	Owner of the <i>Carmen Knutsen</i>
Knutsen Shuttle Tankers 14 AS	Norway	Owner of the <i>Hilda Knutsen</i>
Knutsen Shuttle Tankers 15 AS	Norway	Owner of the <i>Torill Knutsen</i>
KNOT Shuttle Tankers 20 AS	Norway	Owner of the <i>Dan Cisne</i>
KNOT Shuttle Tankers 21 AS	Norway	Owner of the <i>Dan Sabia</i>
Knutsen NYK Shuttle Tankers 16 AS	Norway	Owner of the <i>Ingrid Knutsen</i>
Knutsen Shuttle Tankers 19 AS	Norway	Owner of the <i>Raquel Knutsen</i>
KNOT Shuttle Tankers 24 AS	Norway	Owner of the <i>Tordis Knutsen</i>
KNOT Shuttle Tankers 25 AS	Norway	Owner of the <i>Vigdís Knutsen</i>
KNOT Shuttle Tankers 26 AS	Norway	Owner of the <i>Lena Knutsen</i>
KNOT Shuttle Tankers 32 AS	Norway	Owner of the <i>Brasil Knutsen</i>
KNOT Shuttle Tankers 30 AS	Norway	Owner of the <i>Anna Knutsen</i>
KNOT Shuttle Tankers 34 AS	Norway	Owner of the <i>Tove Knutsen</i>
KNOT Shuttle Tankers 35 AS	Norway	Owner of the <i>Synnøve Knutsen</i>

## 5) Significant Risks and Uncertainties Including Business and Credit Concentrations

The Partnership's operational results are dependent on the worldwide market for shuttle tankers and the ability of the Partnership to timely enter into customer charters. Market conditions for shipping activities are typically volatile, and, as a consequence, the hire rates the Partnership may be able to achieve might vary over time. The market today is mainly dependent upon four factors: the supply of vessels, the demand for vessels and oil, the long-term oil price outlook and overall growth in the world economy. The general supply of vessels is impacted by the number of newbuilds, the removal of older vessels from the market and legislation that may limit the use of older vessels or new standards for vessels used in specific trades.

As of December 31, 2023, all of the Partnership's Vessel crews, which are employed through KOAS were represented by collective bargaining agreements that are renegotiated annually, or bi-annually.

The Partnership did not incur any loss relating to its trade receivables during the years ended December 31, 2023, 2022 and 2021.



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The following table presents time charter and bareboat revenues and percentage of revenues for material customers that accounted for 10% and more of the Partnership's revenues during the years ended December 31, 2023, 2022 and 2021. All of these customers are subsidiaries of major international oil companies.

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,					
	2023		2022		2021	
Eni Trading and Shipping S.p.A.	\$ —	0 %	\$ 36,256	14 %	\$ 43,823	16 %
Fronape International Company, a subsidiary of Petrobras Transporte S.A.	51,743	18 %	45,975	17 %	45,115	17 %
Equinor ASA	36,563	13 %	24,828	9 %	17,897	7 %
Repsol Sinopec Brasil, B.V., a subsidiary of Repsol Sinopec Brasil, S.A.	36,946	13 %	37,571	14 %	37,030	14 %
Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell	33,019	12 %	12,546	5 %	59,825	22 %
Galp Sinopec Brasil Services BV	464	0 %	16,621	6 %	35,622	13 %
KNOT	28,682	10 %	19,220	7 %	6,566	2 %
Chartering and Shipping Service S.A., a subsidiary of TotalEnergies	\$ 41,030	14 %	\$ 25,352	9 %	\$ —	0 %

The Partnership has financial assets that expose it to credit risk arising from possible default by a counterparty. The Partnership considers its counterparties to be creditworthy banking and financial institutions and does not expect any significant loss to result from non-performance by such counterparties. The maximum loss due to credit risk that the Partnership would incur if counterparties failed completely to perform would be the carrying value of cash and cash equivalents, and derivative assets. The Partnership, in the normal course of business, does not demand collateral from its counterparties.

## 6) Operating Leases

### Revenues

The Partnership's primary source of revenues is chartering its shuttle tankers to its customers. The Partnership uses two types of contracts, time charter contracts and bareboat charter contracts. The Partnership's time-charter contracts include both a lease component, consisting of the bareboat element of the contract, and non-lease component, consisting of operation of the vessel for the customers, which includes providing the crewing and other services related to the Vessel's operations, the cost of which is included in the daily hire rate, except when off hire.

The following table presents the Partnership's revenues by time charter, bareboat charters and other revenues for the years ended December 31, 2023, 2022 and 2021:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Time charter revenues (service element included)	\$ 246,670	\$ 216,822	\$ 224,191
Bareboat revenues	30,414	45,975	45,115
Total time charter and bareboat revenues	277,084	262,797	269,306
Other revenues (voyage revenues, loss of hire insurance recoveries and other income)	13,632	5,788	11,823
Total revenues	\$ 290,716	\$ 268,585	\$ 281,129

See Note 2(l)—Right-of-use assets and lease liabilities.



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As of December 31, 2023, the minimum contractual future revenues to be received from time charters and bareboat charters during the next five years and thereafter are as follows (including the service element of time charters, but excluding unexercised customer option periods and excluding any contracted revenues signed after December 31, 2023):

<i>(U.S. Dollars in thousands)</i>	
2024	\$ 249,206
2025	205,864
2026	173,226
2027	71,040
2028 and thereafter	—
Total	<u>\$ 699,336</u>

The minimum contractual future revenues should not be construed to reflect total charter hire revenues for any of the years. Minimum contractual future revenues are calculated based on certain assumptions such as operating days per year. In addition, minimum contractual future revenues presented in the table above have not been reduced by estimated off-hire time for periodic maintenance. The amounts may vary given unscheduled future events such as vessel maintenance.

The Partnership's fleet as of December 31, 2023 consisted of:

- the *Fortaleza Knutsen*, a shuttle tanker built in 2011 that is currently operating under a time charter contract that expires in March 2026 with Fronape International Company, a subsidiary of Petrobras Transporte S.A. ("Transpetro");
- the *Recife Knutsen*, a shuttle tanker built in 2011 that is currently operating under a time charter contract that expires in August 2026 with Fronape International Company, a subsidiary of Transpetro;
- the *Bodil Knutsen*, a shuttle tanker built in 2011 then operating under a time charter contract with Knutsen Shuttle Tankers Pool AS, a subsidiary of KNOT, which would expire on or around December 31, 2023, or at such time as the vessel is to be delivered to Equinor. The vessel commenced on a new time charter contract with Equinor on March 27, 2024. The new charter is for a fixed period of two years with options for the charterer to extend the charter by two further one-year periods;
- the *Windsor Knutsen*, a conventional oil tanker built in 2007 and retrofitted to a shuttle tanker in 2011 that is currently operating under a time charter contract with Brazil Shipping I Limited, a subsidiary of Royal Dutch Shell ("Shell"), that expires in January 2025. In November 2021, the Partnership entered into a new time charter contract for the *Windsor Knutsen* with Equinor to commence in the fourth quarter of 2024 or the first quarter of 2025 for a fixed period, at the charterer's option, of either one year or two years, with options for the charterer to extend the charter, in either case, by two further one-year periods. The Partnership has now agreed with Equinor to substitute the *Brasil Knutsen* for the *Windsor Knutsen*, with the time charter contract otherwise remaining unchanged. In September 2023, the Partnership signed a new time charter contract for the *Windsor Knutsen* with an oil major to commence within the window from February 1, 2025 to May 1, 2025. The new time charter contract is for a fixed period of two years;
- the *Carmen Knutsen*, a shuttle tanker built in 2013 that is currently operating under a time charter that expires in January 2025, with Repsol Sinopec Brasil, B.V. a subsidiary of Repsol Sinopec Brasil, S.A. ("Repsol") with an option for the charterer to extend for a further one-year period;
- the *Hilda Knutsen*, a shuttle tanker built in 2013 that is currently operating under a rolling charter contract with Knutsen Shuttle Tankers Pool AS, a subsidiary of KNOT, that expires in January 2025;
- the *Torill Knutsen*, a shuttle tanker built in 2013 that is currently operating under a rolling charter contract with Knutsen Shuttle Tankers Pool AS, a subsidiary of KNOT, that expires in January 2025;



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- the *Dan Cisne*, a shuttle tanker built in 2011 is being deployed on conventional tanker work while under assessment for upgrades suitable to shuttle tanker work in the North Sea;
- the *Dan Sabia*, a shuttle tanker built in 2012 that is currently operating under a bareboat charter that expires in June 2024 with Transpetro;
- the *Ingrid Knutsen*, a shuttle tanker built in 2013 then operating under a time charter contract with Altera that expired on March 28, 2024. On March 28, 2024 the *Ingrid Knutsen* was redelivered from Altera, following which she has worked in the conventional tanker market. While she is due for delivery to Eni during April 2024 on three-years time charter contract, it is possible that commercial terms no less favourable to the Partnership may be agreed for an alternative delivery later in 2024.
- the *Raquel Knutsen*, a shuttle tanker built in 2015 that is currently operating under a time charter that expires in June 2025 with Repsol, with options to extend until June 2030;
- the *Tordis Knutsen*, a shuttle tanker built in 2016 that is currently operating under a time charter with Shell that expires in July 2027;
- the *Vigdis Knutsen*, a shuttle tanker built in 2017 then operating under a time charter with China Offshore Oil (Singapore) that expired on March 16, 2024, at which time the vessel was delivered to Shell to commence on a three-year time charter contract;
- the *Lena Knutsen*, a shuttle tanker built in 2017 that is currently operating under a time charter with Shell that expires in September 2027;
- the *Brasil Knutsen*, a shuttle tanker built in 2013 that is currently operating under a time charter with Petrorio Luxembourg Holding S.A.R.L. which expires in or around May 2025. The vessel will commence on a new time charter with Equinor in the third quarter of 2025 for a fixed period of two years, with options for the charterer to extend the charter by two further one-year periods;
- the *Anna Knutsen*, a shuttle tanker built in 2017 that is currently operating under a time charter with TotalEnergies that expires in April 2026 with an option for the charterer to extend for a further one-year period;
- the *Tove Knutsen*, a shuttle tanker built in 2020 that is currently operating under a time charter that expires in November 2027 with Equinor, with options to extend until November 2040; and
- the *Synnøve Knutsen*, a shuttle tanker built in 2020 that is currently operating under a time charter that expires in February 2027 with Equinor, with options to extend until February 2042.

## ***Lease obligations***

The Partnership does not have any material leased assets but has some leased equipment on operational leases on the various ships operating on time charter contracts. As of December 31, 2023, the right-of-use asset and lease liability for operating leases was \$2.1 million and are presented as separate line items on the balance sheets. The operating lease cost and corresponding cash flow effect for 2023 was \$0.8 million. As of December 31, 2023, the weighted average discount rate for the operating leases for the portfolio excluding *Recife Knutsen* was 7.2% and was 7.6% for the *Recife Knutsen* alone. The rate was determined using the expected incremental borrowing rate for a loan facility of similar term. As of December 31, 2023, the weighted average remaining lease terms are 2.1 years.



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A maturity analysis of the Partnership's lease liabilities from leased-in equipment as of December 31, 2023 is as follows:

<i>(U.S. Dollars in thousands)</i>	
2024	1,100
2025	1,100
2026	92
2027	—
2028 and thereafter	—
Total	\$ 2,292
Less imputed interest	166
Carrying value of operating lease liabilities	<u>\$ 2,126</u>

## 7) Segment Information

The Partnership has one reportable segment, the shuttle tanker market. At December 31, 2023 the Partnership's fleet operated under sixteen time charters and one bareboat charter. At December 31, 2022, the Partnership's fleet operated under twelve time charters and four bareboat charters. See Note 5—Significant Risks and Uncertainties Including Business and Credit Concentrations for revenues from customers accounting for over 10% of the Partnership's consolidated revenue. In both time charters and bareboat charters, the charterer, not the Partnership, controls the choice of which trading areas the Vessels will serve. Accordingly, the Partnership's management, including the chief operating decision makers, does not evaluate performance according to geographical region.

## 8) Insurance Proceeds

Insurance claims for property damage for recoveries up to the amount of loss recognized are recorded when the claims submitted to insurance carriers are probable of recovery. Claims for property damage in excess of the loss recognized and for loss of hire are recognized when the proceeds are received. As of December 31, 2023 and 2022, the Partnership had open insurance claims for hull and machinery recoveries of \$0.1 million and \$2.1 million, respectively, which were recorded as part of Other current asset. See Note 12(b)—Other Current Asset.

As of December 31, 2021, loss of hire proceeds of \$11.5 million related to the *Windsor Knutsen*, the *Tove Knutsen* and *Tordis Knutsen* were recognized as a component of the total revenues, since day rates are recovered under the terms of the policy.

As of December 31, 2022, loss of hire proceeds of \$0.8 million related to the *Vigdis Knutsen* were recognized as a component of the total revenues, since day rates are recovered under the terms of the policy.

As of December 31, 2023, loss of hire proceeds of \$2.8 million related to the *Synnøve Knutsen*, the *Windsor Knutsen*, the *Lena Knutsen* and the *Tove Knutsen* were recognized as a component of total revenues, since day rates are recovered under the terms of the policy.

## 9) Other Finance Expenses

### (a) Interest Expense

The following table presents the components of interest expense as reported in the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Interest expense	\$ 69,567	\$ 39,912	\$ 24,546
Amortization of debt issuance cost and fair value of debt assumed	2,503	2,692	3,519
Total interest expense	<u>\$ 72,070</u>	<u>\$ 42,604</u>	<u>\$ 28,065</u>



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### **(b) Other Finance Expense**

The following table presents the components of other finance expense for the years ended December 31, 2023, 2022 and 2021:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Bank fees, charges	\$ 554	\$ 294	\$ 463
Commitment fees	35	334	548
Total other finance expense	<u>\$ 589</u>	<u>\$ 628</u>	<u>\$ 1,011</u>

### **10) Derivative Instruments**

#### ***Interest Rate Risk Management***

The consolidated financial statements include the results of interest rate swap contracts to manage the Partnership's exposure related to changes in interest rates on its variable rate debt instruments and the results of foreign exchange forward contracts to manage its exposure related to changes in currency exchange rates on its operating expenses, mainly crew expenses, in currency other than the U.S. Dollar and on its contract obligations. The Partnership does not apply hedge accounting for derivative instruments. The Partnership does not speculate using derivative instruments.

By using derivative financial instruments to economically hedge exposures to changes in interest rates, the Partnership exposes itself to credit risk and market risk. Derivative instruments that economically hedge exposures are used for risk management purposes, but these instruments are not designated as hedges for accounting purposes. Credit risk is the failure of the counterparty to perform under the terms of the derivative instrument. When the fair value of a derivative instrument is positive, the counterparty owes the Partnership, which creates credit risk for the Partnership. When the fair value of a derivative instrument is negative, the Partnership owes the counterparty, and, therefore, the Partnership is not exposed to the counterparty's credit risk in those circumstances. The Partnership minimizes counterparty credit risk in derivative instruments by entering into transactions with major banking and financial institutions. The derivative instruments entered into by the Partnership do not contain credit risk-related contingent features. The Partnership has not entered into master netting agreements with the counterparties to its derivative financial instrument contracts.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates, currency exchange rates or commodity prices. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Partnership assesses interest rate risk by monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating economical hedging opportunities.

The Partnership has historically used variable interest rate mortgage debt to finance its vessels. The variable interest rate mortgage debt obligations expose the Partnership to variability in interest payments due to changes in interest rates. The Partnership believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, the Partnership has entered into London Interbank Offered Rate ("LIBOR")-based and Secured Overnight Financing Rate ("SOFR")-based interest rate swap contracts to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR or SOFR. These swaps change a portion of the Partnership's total variable rate cash flow exposure on the mortgage debt obligations to fixed cash flows. Under the terms of the interest rate swap contracts, the Partnership receives LIBOR or SOFR-based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed rate debt for the notional amount of its debt hedged.

As of December 31, 2023 and 2022, the total notional amount of the Partnership's outstanding interest rate swap contracts that were entered into in order to hedge outstanding or forecasted debt obligations were \$426.5 million and \$451.2 million, respectively. As of December 31, 2023 and 2022, the carrying amount of the interest rate swap contracts was a net asset of \$20.2 million and a net asset of \$29.4 million, respectively. See Note 11—Fair Value Measurements.

Changes in the fair value of interest rate swap contracts are reported in realized and unrealized gain (loss) on derivative instruments in the same period in which the related interest affects earnings.



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The Partnership and its subsidiaries utilize the U.S. Dollar as their functional and reporting currency, because all of their revenues and the majority of their expenditures, including the majority of their investments in vessels and their financing transactions, are denominated in U.S. Dollars. Payment obligations in currencies other than the U.S. Dollar, and in particular operating expenses in NOK, expose the Partnership to variability in currency exchange rates. The Partnership believes that it is prudent to limit the variability of a portion of its currency exchange exposure where possible. To meet this objective, the Partnership at times has entered into foreign exchange forward contracts to manage fluctuations in cash flows resulting from changes in the exchange rates towards the U.S. Dollar. The agreements change the variable exchange rate to fixed exchange rates at agreed dates.

The following table presents the realized and unrealized gains and losses that are recognized in earnings as net gain (loss) on derivative instruments for the years ended December 31, 2023, 2022 and 2021:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
<b>Realized gain (loss):</b>			
Interest rate swap contracts	\$ 14,648	\$ (2,478)	\$ (10,094)
Foreign exchange forward contracts	(79)	(502)	—
Total realized gain (loss):	14,569	(2,980)	(10,094)
<b>Unrealized gain (loss):</b>			
Interest rate swap contracts	(9,200)	38,490	20,054
Foreign exchange forward contracts	—	—	—
Total unrealized gain (loss):	(9,200)	38,490	20,054
<b>Total realized and unrealized gain (loss) on derivative instruments:</b>	<b>\$ 5,369</b>	<b>\$ 35,510</b>	<b>\$ 9,960</b>

## 11) Fair Value Measurements

### (a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Partnership's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

<i>(U.S. Dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Recurring:</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 63,921	\$ 63,921	\$ 47,579	\$ 47,579
<i>Current derivative assets:</i>				
Interest rate swap contracts	13,019	13,019	15,070	15,070
<i>Non-current derivative assets:</i>				
Interest rate swap contracts	7,229	7,229	14,378	14,378
<b>Financial liabilities:</b>				
<i>Non-current derivative liabilities:</i>				
Long-term debt, current and non-current	963,005	941,647	1,062,647	1,035,740

The carrying amounts shown in the table above are included in the consolidated balance sheets under the indicated captions. Carrying amount of long-term debt, current and non-current, above excludes capitalized debt issuance cost of \$6.2 million and \$6.3 million as of December 31, 2023 and 2022, respectively. The carrying value of trade accounts receivable, trade accounts payable and receivables/payables to owners and affiliates approximate their fair value.



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The fair values of the financial instruments shown in the above table as of December 31, 2023 and 2022 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Partnership's own judgment about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Partnership based on the best information available in the circumstances, including expected cash flows, appropriately risk-adjusted discount rates and available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and cash equivalents and restricted cash:* The fair value of the Partnership's cash balances approximates the carrying amounts due to the current nature of the amounts. As of December 31, 2023 and 2022 there is no restricted cash.
- *Interest rate swap contracts:* The fair value of interest rate swap contracts is determined using an income approach using the following significant inputs: (1) the term of the swap contract (weighted average of 2.0 years and 2.7 years, as of December 31, 2023 and 2022, respectively), (2) the notional amount of the swap contract (ranging from \$2.6 million to \$30.7 million as of December 31, 2023 and ranging from \$3.6 million to \$33.6 million as of December 31, 2022), discount rates interpolated based on relevant LIBOR or SOFR swap curves; and (3) the rate on the fixed leg of the swap contract (rates ranging from 0.71% to 2.90% for the contracts as of December 31, 2023 and 2022).
- *Long-term debt:* With respect to long-term debt measurements, the Partnership uses market interest rates and adjusts for risks such as its own credit risk. In determining an appropriate spread to reflect its credit standing, the Partnership considered interest rates currently offered to KNOT for similar debt instruments of comparable maturities by KNOT's and the Partnership's bankers as well as other banks that regularly compete to provide financing to the Partnership.



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**(b) Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value or for which fair value is required to be disclosed) as of December 31, 2023 and December 31, 2022:

	Carrying Value December 31, 2023	Fair Value Measurements at Reporting Date Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(U.S. Dollars in thousands)</i>				
<b>Recurring:</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 63,921	\$ 63,921	\$ —	\$ —
<i>Current derivative assets:</i>				
Interest rate swap contracts	13,019	—	13,019	—
<i>Non-current derivative assets:</i>				
Interest rate swap contracts	7,229	—	7,229	—
<b>Financial liabilities:</b>				
<i>Non-current derivative liabilities:</i>				
Long-term debt, current and non-current	\$ 963,005	\$ —	\$ 941,647	\$ —
	Carrying Value December 31, 2022	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(U.S. Dollars in thousands)</i>				
<b>Recurring:</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 47,579	\$ 47,579	\$ —	\$ —
<i>Current derivative assets:</i>				
Interest rate swap contracts	15,070	—	15,070	—
<i>Non-current derivative assets:</i>				
Interest rate swap contracts	14,378	—	14,378	—
<b>Financial liabilities:</b>				
<i>Non-current derivative liabilities:</i>				
Long-term debt, current and non-current	\$ 1,062,647	\$ —	\$ 1,035,740	\$ —

The Partnership's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1 and Level 2 as of December 31, 2023 and December 31, 2022.

**12) Trade Accounts Receivable and Other Current Assets**

**(a) Trade Accounts Receivable**

Trade accounts receivable are presented as part of Other current assets, see Note 12(b)—Other Current Assets. Trade accounts receivable are presented net of provisions for expected credit loss. As of December 31, 2023 and 2022, there was no provision for expected credit loss.



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### (b) Other Current Assets

Other current assets consist of the following:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
Trade receivables	\$ 4,882	\$ 7,662
Trade receivables due from KNOT and affiliates (see Note 19 (d))	—	1,405
Insurance claims for recoveries (see Notes 8 and 20)	124	2,112
Refund of value added tax	1,254	1,173
Prepaid expenses	1,568	1,311
Other receivables	967	1,865
<b>Total other current assets</b>	<b>\$ 8,795</b>	<b>\$ 15,528</b>

### 13) Inventory

The following table presents the inventory as of December 31, 2023 and December 31, 2022:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
Lubricating oil	\$ 2,995	\$ 3,245
Bunkers	701	2,514
<b>Total inventory</b>	<b>\$ 3,696</b>	<b>\$ 5,759</b>

### 14) Vessels and Equipment

<i>(U.S. Dollars in thousands)</i>	Vessels & equipment	Accumulated depreciation	Accumulated impairment	Net Vessels
<b>Vessels, December 31, 2021</b>	<b>\$ 2,265,712</b>	<b>\$ (638,185)</b>	<b>\$ (29,421)</b>	<b>\$ 1,598,106</b>
Additions (1)	120,946	—	—	120,946
Drydock costs	19,747	—	—	19,747
Disposals	(17,790)	17,790	—	—
Depreciation and impairment for the period	—	(107,419)	—	(107,419)
<b>Vessels, December 31, 2022</b>	<b>\$ 2,388,615</b>	<b>\$ (727,814)</b>	<b>\$ (29,421)</b>	<b>\$ 1,631,380</b>
Additions	2,794	—	—	2,794
Drydock costs	19,375	—	—	19,375
Disposals	(12,350)	12,350	—	—
Depreciation and impairment for the period (2)	—	(110,902)	(49,649)	(160,551)
<b>Vessels, December 31, 2023</b>	<b>\$ 2,398,434</b>	<b>\$ (826,366)</b>	<b>\$ (79,070)</b>	<b>\$ 1,492,998</b>

As of December 31, 2023 and 2022, Vessels with a book value of \$1,493 million and \$1,631 million, respectively, are pledged as security for the Partnership's long-term debt. See Note 17—Long-Term Debt.

- (1) On July 1, 2022, the Partnership acquired KNOT's 100% interest in KNOT Shuttle Tankers 35 AS, the company that owns and operates the *Synnøve Knutsen*. This acquisition was accounted for as an acquisition of assets. See Note 24—Acquisitions.
- (2) The carrying values of the *Dan Sabia* and the *Dan Cisne* were written down to their estimated fair values as of June 30, 2023. See Note 21—Impairment of Long - Lived Assets.



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Drydocking activity for the years ended December 31, 2023 and 2022 is summarized as follows:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
Balance at the beginning of the year	\$ 24,595	\$ 13,458
Costs incurred for dry docking	19,375	17,614
Costs re-allocated to drydocking due to change of contract	7,849	—
Costs allocated to drydocking as part of acquisition of asset	—	2,133
Drydock amortization	(11,232)	(8,610)
<b>Balance at the end of the year</b>	<b>\$ 40,587</b>	<b>\$ 24,595</b>

## 15) Intangible Assets and Contract Liabilities

### (a) Intangible Assets

<i>(U.S. Dollars in thousands)</i>	Above market time charter Tordis Knutsen	Above market time charter Vigdís Knutsen	Total intangibles
<b>Intangibles, December 31, 2021</b>	<b>\$ —</b>	<b>\$ 75</b>	<b>\$ 75</b>
Additions	—	—	—
Amortization for the year	—	(75)	(75)
<b>Intangibles, December 31, 2022</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Additions	—	—	—
Amortization for the period	—	—	—
<b>Intangibles, December 31, 2023</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The intangible for the above market value of time charter contract associated with the Tordis Knutsen was amortized to time charter revenue on a straight-line basis over the remaining term of the contract of approximately 4.8 years as of the acquisition date. The intangible for the above market value of time charter contract associated with the Vigdís Knutsen was amortized to time charter revenue on a straight-line basis over the remaining term of the contract of approximately 4.9 years as of the acquisition date.

### (b) Contract Liabilities

The unfavorable contractual rights for charters associated with *Fortaleza Knutsen* and *Recife Knutsen* were obtained in connection with a step acquisition in 2008 that had unfavorable contractual terms relative to market as of the acquisition date. The *Fortaleza Knutsen* and the *Recife Knutsen* commenced on their 12 years' fixed bareboat charters in March 2011 and August 2011, respectively. The unfavorable contract rights related to *Fortaleza Knutsen* and *Recife Knutsen* are amortized to bareboat revenues on a straight-line basis over the 12 years' contract period that expired in March 2023 and August 2023, respectively.

<i>(U.S. Dollars in thousands)</i>	Balance of December 31, 2021	Amortization for the year ended December 31, 2022	Balance of December 31, 2022	Amortization for the year ended December 31, 2023	Balance of December 31, 2023
<b>Contract liabilities:</b>					
Unfavourable contract rights	\$ (2,169)	\$ 1,518	\$ (651)	\$ 651	\$ —
Total amortization income		<u>\$ 1,518</u>		<u>\$ 651</u>	

Accumulated amortization for contract liabilities was \$18.3 million and \$17.6 million as of December 31, 2023 and 2022, respectively.



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### 16) Accrued expenses

The following table presents accrued expenses as of December 31, 2023 and December 31, 2022:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
Operating expenses	\$ 3,025	\$ 1,125
Interest expenses	5,032	4,805
Other expenses	6,718	4,721
Total accrued expenses	<u>\$ 14,775</u>	<u>\$ 10,651</u>

### 17) Long-Term Debt

Long-term debt as of December 31, 2023 and 2022, consisted of the following:

<i>(U.S. Dollars in thousands)</i>	Vessel	December 31, 2023	December 31, 2022
\$345 million loan facility	<i>Anna Knutsen, Tordis Knutsen, Vigdis Knutsen, Brasil Knutsen, Lena Knutsen</i>	\$ 288,534	\$ 313,630
\$320 million loan facility	<i>Windsor Knutsen, Bodil Knutsen, Carmen Knutsen, Fortaleza Knutsen, Recife Knutsen, Ingrid Knutsen</i>	—	192,021
\$240 million loan facility	<i>Windsor Knutsen, Bodil Knutsen, Carmen Knutsen, Fortaleza Knutsen, Recife Knutsen, Ingrid Knutsen</i>	222,264	—
\$55 million revolving credit facility with DNB		—	55,000
Hilda loan facility	<i>Hilda Knutsen</i>	60,000	66,154
\$172.5 million loan facility	<i>Dan Cisne, Dan Sabia</i>	10,370	31,739
\$192.1 million loan facility	<i>Tove Knutsen, Synnøve Knutsen</i>	153,702	162,808
\$25 million revolving credit facility with NTT		25,000	25,000
\$25 million revolving credit facility with Shinsei		25,000	25,000
Raquel Sale & Leaseback	<i>Raquel Knutsen</i>	79,070	84,247
Torill Sale & Leaseback	<i>Torill Knutsen</i>	99,065	107,048
<b>Total long-term debt</b>		<b><u>\$ 963,005</u></b>	<b><u>\$ 1,062,647</u></b>
Less: current installments		101,010	371,906
Less: unamortized deferred loan issuance costs		2,050	2,119
<b>Current portion of long-term debt</b>		<b><u>98,960</u></b>	<b><u>369,787</u></b>
Amounts due after one year		861,995	690,741
Less: unamortized deferred loan issuance costs		4,166	4,140
<b>Long-term debt, less current installments, and unamortized deferred loan issuance costs</b>		<b><u>\$ 857,829</u></b>	<b><u>\$ 686,601</u></b>



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The Partnership's outstanding debt of \$963.0 million as of December 31, 2023 is repayable as follows :

<i>(U.S. Dollars in thousands)</i>	<b>Sale &amp; Leaseback</b>	<b>Period repayment</b>	<b>Balloon repayment</b>	<b>Total</b>
2024	13,804	80,736	6,470	101,010
2025	14,399	76,081	186,583	277,063
2026	15,060	59,096	219,521	293,677
2027	15,751	26,818	37,500	80,069
2028 and thereafter	119,121	13,241	78,824	211,186
Total	\$ 178,135	\$ 255,972	\$ 528,898	\$ 963,005

As of December 31, 2023, the interest rates on the Partnership's loan agreements were SOFR plus a fixed margin ranging from 2.0% to 2.5%, except for the Dan Sabia Facility that bore interest based on LIBOR until it was fully repaid in January 2024.

### **\$345 Million Term Loan Facility**

In September 2021, the Partnership's subsidiaries which own the *Tordis Knutsen*, the *Vigdis Knutsen*, the *Lena Knutsen*, the *Anna Knutsen* and the *Brasil Knutsen*, entered into a new \$345 million senior secured credit facility in order to refinance their existing term loans (the "\$345 Million Loan Facility"). The \$345 Million Loan Facility consists of a term loan repayable in 20 consecutive quarterly installments, with a balloon payment of \$220 million due at maturity in September 2026. The facility bears interest at a rate per annum equal to SOFR plus a Credit Adjustment Spread ("CAS") of 0.26161% and a margin of 2.05%. The facility is guaranteed by the Partnership and secured by mortgages on the five vessels.

The \$345 Million Loan Facility contains the following financial covenants:

- Each borrower shall at all times maintain Liquidity equal to or greater than \$250,000;
- Positive working capital of the Partnership;
- Minimum liquidity of the Partnership of \$15 million plus increments of \$1.5 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 8 vessels and \$1 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 12 additional vessels in excess of 8 vessels;
- Minimum book equity ratio for the Partnership of 30%; and
- Minimum EBITDA to interest ratio for the Partnership of 2.50.

The \$345 Million Loan Facility also identifies various events that may trigger mandatory reduction, prepayment, and cancellation of the facility, including if the aggregate market value of the vessels is less than 125% of the outstanding balance under the facility, upon a total loss or sale of a vessel and customary events of default. As of December 31, 2023, the borrowers and the guarantors were in compliance with all covenants under this facility.

### **\$320 Million Term Loan Facility and \$55 Million Revolving Credit Facility with DNB**

In September 2018, the Partnership's subsidiaries which own the *Windsor Knutsen*, the *Bodil Knutsen*, the *Fortaleza Knutsen*, the *Recife Knutsen*, the *Carmen Knutsen* and the *Ingrid Knutsen* ("the Vessels"), entered into senior secured credit facilities (the "Multi-Vessels Facility") in order to refinance their existing long term bank debt. The Multi-Vessels Facility consisted of a term loan of \$320 million and a \$55 million revolving credit facility.

On June 2, 2023, the Partnership closed its new five-year \$240 million senior secured term loan facility with DNB (the "\$240 Million Loan Facility") and repaid the Multi-Vessels Facility.



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### ***\$240 Million Senior Secured Term Loan Facility***

On June 2, 2023, the Partnership's subsidiaries which own the Vessels entered into the \$240 Million Loan Facility, which consists of a five-year term loan. The \$240 Million Loan Facility bears interest at a rate per annum equal to SOFR plus a margin of 2.4% and is repayable in 20 consecutive quarterly installments, with a final payment at maturity in May 2028 of \$85.4 million, which amount includes the balloon payment and last quarterly installment. The loan is guaranteed by the Partnership and KNOT Shuttle Tankers AS and secured by mortgages on the Vessels, assignments of earnings, charterparty contracts and insurance proceeds are pledged as collateral for the \$240 Million Loan Facility.

The \$240 Million Loan Facility contains the following financial covenants:

- Each borrower shall at all times maintain liquidity equal to or greater than \$500,000;
- Positive working capital of the Partnership;
- Minimum liquidity of the Partnership of \$15 million plus increments of \$1.5 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 8 vessels and \$1 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 12 additional vessels in excess of 8 vessels (of which a minimum of \$10 million must be cash);
- Minimum book equity ratio for the Partnership of 30%; and
- Minimum EBITDA to interest ratio for the Partnership of 2.50.

The \$240 Million Loan Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including if the aggregate market value of the vessels is less than 130% of the outstanding balance under the \$240 Million Loan Facility (or less than 166% after June 2, 2027), upon a total loss or sale of a vessel and customary events of default. The borrowers and the guarantors are in compliance with all covenants under this facility.

### ***\$100 Million Hilda Loan Facility***

In May 2017, the Partnership's subsidiary, Knutsen Shuttle Tankers 14 AS, which owns the vessel *Hilda Knutsen*, entered into a new \$100 million senior secured term loan facility with Mitsubishi UFJ Lease & Finance (Hong Kong) Limited (the "\$100 Million Hilda Facility"). The \$100 Million Hilda Facility is repayable in 28 consecutive quarterly installments with a final payment at maturity of \$58.5 million, which includes the balloon payment and last quarterly installment. The facility bears interest at a rate per annum equal to SOFR plus a Credit Adjustment Spread ("CAS") of 0.26161% and a margin of 2.2%. The Partnership and KNOT Shuttle Tankers AS are the sole guarantors. The facility matures in May 2024.

The \$100 Million Hilda Facility contains the following primary financial covenants:

- Positive working capital of the borrower and the Partnership;
- Minimum liquidity of the Partnership of \$15 million plus increments of \$1 million for each additional vessel acquired by the Partnership in excess of eight vessels and \$1.5 million for each owned vessel with less than 12 months remaining tenor on its employment contract;
- Minimum book equity ratio for the Partnership of 30%; and
- Minimum EBITDA to interest ratio for the Partnership of 2.50.



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The \$100 Million Hilda Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including if the market value of the vessels is less than 110% of the outstanding loan under the \$100 Million Hilda Facility for the first two years, 120% for the third and fourth year and 125% thereafter, upon a total loss or sale of the vessel and customary events of default. As of December 31, 2023, the borrower and the guarantors were in compliance with all covenants under this facility.

On April 5, 2024, the Partnership entered into a new three-year \$60 million senior secured term loan facility with DNB (the “\$60 Million Hilda Loan Facility”) as described below. The \$100 Million Hilda Loan Facility is expected to be repaid in May 2024.

### ***\$60 Million Hilda Loan Facility***

On April 5, 2024, the Partnership’s subsidiary, Knutsen Shuttle Tankers 14 AS, which owns the vessel *Hilda Knutsen*, entered into a new \$60 million senior secured term loan facility with DNB (the “\$60 Million Hilda Facility”), which will refinance and replace the \$100 Million Hilda Facility. This refinancing is anticipated to close prior to the maturity date of the expiring facility, and remains subject to execution of definitive documentation and other customary closing conditions. The \$60 Million Hilda Facility will be repayable in 12 consecutive quarterly installments with a final payment at maturity of \$39.4 million, which includes the balloon payment and last quarterly installment. The facility bears interest at a rate per annum equal to SOFR plus a margin of 2.25%. The Partnership and KNOT Shuttle Tankers AS are the sole guarantors. The facility matures in March 2027.

The \$60 Million Hilda Facility contains the following primary financial covenants:

- The borrower shall at all times maintain liquidity equal or greater than \$500,000;
- Positive working capital of the Partnership;
- Minimum liquidity of the Partnership of \$15 million plus increments of \$1.5 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 8 vessels and \$1 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 12 additional vessels in excess of 8 vessels (of which a minimum of \$10 million must be cash);
- Minimum book equity ratio for the Partnership of 30%; and
- Minimum EBITDA to interest ratio for the Partnership of 2.50.

The \$60 Million Hilda Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including if the market value of the vessels is less than 135% of the outstanding loan under the \$60 Million Hilda Facility, upon a total loss or sale of the vessel and customary events of default.

### ***\$172.5 Million Secured Loan Facility***

In April 2014, KNOT Shuttle Tankers 20 AS and KNOT Shuttle Tankers 21 AS, the subsidiaries owning the *Dan Cisne* and *Dan Sabia*, as the borrowers, entered into a \$172.5 million senior secured loan facility. In connection with the Partnership’s acquisition of the *Dan Cisne*, in December 2014, the \$172.5 million senior secured loan facility was split into a tranche related to the *Dan Cisne* (the “Dan Cisne Facility”) and a tranche related to *Dan Sabia* (the “Dan Sabia Facility”).

The Dan Cisne Facility and the Dan Sabia Facility were repaid in full at their respective maturity dates in September 2023 and January 2024, with a \$10.2 million and a \$10.4 million payment, respectively.



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### ***\$192.1 Million Secured Loan Facility***

In July 2019, KNOT Shuttle Tankers 34 AS and KNOT Shuttle Tankers 35 AS, the subsidiary owning the *Tove Knutsen* and the *Synnøve Knutsen*, as the borrowers, entered into a \$192.1 million secured loan facility. The loan facility is split into a tranche related to the *Tove Knutsen* (the “Tove Facility”) and a tranche related to the *Synnøve Knutsen* (the “Synnøve Facility”). The Tove Facility is repayable in quarterly installments with a final balloon payment of \$66.6 million due at maturity in September 2025, which includes the balloon payment and last quarterly installment. The Synnøve Facility is repayable in quarterly installments with a final payment of \$72.3 million due at maturity in October 2025, which includes the balloon payment and last quarterly installment. The facility bears interest at an annual rate equal to SOFR plus a Credit Adjustment Spread (“CAS”) of 0.26161% and a margin of 1.75%. The facility is secured by a standard security package for a vessel financing, including a vessel mortgage on the *Tove Knutsen* and the *Synnøve Knutsen*, assignments of earnings, charterparty contracts and insurance proceeds. The Partnership and KNOT Shuttle Tankers AS guarantee the facility.

The \$192.1 Million Secured Loan Facility contains the following financial covenants:

- Positive working capital of the Partnership;
- Minimum liquidity of the Partnership of \$15 million plus increments of \$1.5 million for each owned vessel with less than 12 months remaining tenor on its employment contract up to 8 vessels and \$1 million for each owned vessel with less than 12 months remaining tenor on its employment contract in excess of 8 vessels;
- Minimum book equity ratio for the Partnership of 30%; and
- Minimum EBITDA to interest ratio for the Partnership of 2.50.

The \$192.1 Million Secured Loan Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including if the market value of either of the vessels falls below 110% of the outstanding loan, upon total loss or sale of the vessels and customary events of default. As of December 31, 2023, the borrower and the guarantors were in compliance with all covenants under this facility.

### ***Revolving Credit Facilities***

On August 16, 2023, the Partnership closed the refinancing of the first of its two \$25 million revolving credit facilities, with the facility being rolled over with NTT Finance Corporation. The new facility will mature in August 2025, bears interest at a rate per annum equal to SOFR plus a margin of 2.23% and has a commitment fee of 0.5% on any undrawn portion of the facility. The commercial terms of the facility are substantially unchanged from the facility entered into in June 2021 with NTT Finance Corporation.

On November 15, 2023, the Partnership closed the refinancing of the second of its two \$25 million revolving credit facilities, with the facility being rolled over with SBI Shinsei Bank, Limited. The new facility will mature in November 2025, bears interest at a rate per annum equal to SOFR plus a margin of 2.0% and has a commitment fee of 0.8% on the undrawn portion of the facility. The commercial terms of the facility are substantially unchanged from the facility entered into in November 2020 with SBI Shinsei Bank, Limited.

### ***Raquel Sale and Leaseback***

On December 30, 2020, the Partnership through its wholly owned subsidiary, Knutsen Shuttle Tankers 19 AS, which owned the *Raquel Knutsen*, agreed to enter into a sale and leaseback agreement with a Japanese-based lessor for a lease period of ten years. The closing of the transaction occurred on January 19, 2021. The gross sales price was \$94.3 million, and a portion of the proceeds was used to repay the outstanding loan and cancellation of the interest rate swap agreements related to the vessel. The bareboat rate under the lease consists of a fixed element per day and there is a fixed-price purchase obligation at maturity. After repayment of the loan and related interest rate swaps, the Partnership realized net proceeds of \$38 million after fees and expenses.



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### **Torill Sale and Leaseback**

On June 30, 2022, the Partnership through its wholly owned subsidiary, Knutsen Shuttle Tankers 15 AS, which owned the *Torill Knutsen*, closed a sale and leaseback agreement with a Japanese-based lessor for a lease period of ten years. The gross sales price was \$112.0 million, and a portion of the proceeds was used to repay the outstanding loan related to the vessel. The bareboat rate under the lease consists of a fixed element per day and there is a fixed-price purchase obligation at maturity. After repayment of the previously existing loan the Partnership realized net proceeds of \$39 million after fees and expenses.

### **18) Income Taxes**

#### **(a) Components of Current and Deferred Tax Expense**

All of the income from continuing operations before income taxes was taxable in Norway for the years ended December 31, 2023, 2022 and 2021. Our Norwegian subsidiaries are subject to Norwegian tonnage tax rather than ordinary corporate taxation. Under the tonnage tax regime, tax is payable based on the tonnage of the vessel, not on operating income, and is included within operating expenses. Net financial income and expense remain taxable as ordinary income at the regular corporate income tax rate of 22% and is recorded as an income tax expense. The amount of tonnage tax included in operating expenses for each of the years ended December 31, 2023, 2022 and 2021 was \$0.2 million, \$0.2 million and \$0.3 million respectively. See Note 2(r)—Income Taxes. The activities taxable in the UK relate to KNOT UK and are based on the operating income for the entity.

The significant components of current and deferred income tax expense attributable to income from continuing operations for the years ended December 31, 2023, 2022 and 2021 are as follows:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Current tax benefit (expense)	\$ 4,598	\$ (878)	\$ (488)
Deferred tax benefit (expense)	(3)	3	—
Income tax benefit (expense)	<u>\$ 4,595</u>	<u>\$ (875)</u>	<u>\$ (488)</u>

#### **(b) Taxation**

Income taxes attributable to income from continuing operations was an income tax benefit of \$4,595,000 for the year ended December 31, 2023, an income tax expense of \$875,000 for the year ended December 31, 2022 and an income tax expense of \$488,000 for the year ended December 31, 2021. These differed from the amounts computed by applying the tax rates in Norway (22% of the tonnage tax) and the UK (19% until April 2023 and 25% thereafter, each as applied to pretax net income) for the years ended December 31, 2023, 2022 and 2021 respectively, as a result of the following:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Income tax benefit (expense) at Norwegian tonnage tax regime	\$ 4,610	\$ (866)	\$ (479)
Income tax benefit (expense) within UK	(15)	(9)	(9)
Income tax benefit (expense)	<u>\$ 4,595</u>	<u>\$ (875)</u>	<u>\$ (488)</u>
Effective tax rate	<u>(12)%</u>	<u>(1)%</u>	<u>(1)%</u>



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### (c) Components of Deferred Tax Assets and Liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 are presented below:

<i>(U.S. Dollars in thousands)</i>	As of December 31,	
	2023	2022
Deferred tax assets:		
Financial loss carry forwards for tonnage tax	\$ 24,671	\$ 25,657
Valuation allowance	(20,313)	(25,657)
Deferred tax liabilities:		
Entrance tax	(127)	(164)
Deferred tax related to long-term debt	—	(260)
Total net deferred tax assets (liabilities)	\$ 4,231	\$ (424)

The net deferred tax assets (liabilities) is classified in the consolidated balance sheets as follows:

<i>(U.S. Dollars in thousands)</i>	As of December 31,	
	2023	2022
Non-current deferred tax assets	4,358	—
Non-current deferred tax liabilities	(127)	(424)
Total net deferred tax assets (liabilities)	\$ 4,231	\$ (424)

Changes in the net deferred tax assets (liabilities) at December 31, 2023 and 2022 are presented below:

<i>(U.S. Dollars in thousands)</i>	As of December 31,	
	2023	2022
Total net deferred tax assets (liabilities) at January 1,	\$ (424)	\$ (228)
Change in temporary differences	4,643	(219)
Translation differences	12	23
Total net deferred tax assets (liabilities) at December 31,	\$ 4,231	\$ (424)

The Partnership records a valuation allowance for deferred tax assets when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. The valuation allowances were \$20.3 million and \$25.7 million as of December 31, 2023 and 2022, respectively. The valuation allowances relate to the financial loss carry forwards and other deferred tax assets for tonnage tax that, in the judgment of the Partnership, are more-likely-than not to be realized reflecting the Partnership's cumulative loss position for tonnage tax. In assessing the realizability of deferred tax assets, the Partnership considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized taking into account all the positive and negative evidence available. In September 2023, KNOT Shuttle Tankers 12 AS and KNOT Shuttle Tankers AS were merged. After the merger, the financial loss carry forwards in KNOT Shuttle Tankers 12 AS were transferred to the acquiring entity, KNOT Shuttle Tankers AS. KNOT Shuttle Tankers AS has taxable income, and the Partnership has determined it is more likely than not that some of the benefit from the deferred tax assets would be realized based on the weight of available evidence. As of December 31, 2023, the Partnership has determined that \$4.4million of the deferred tax assets are more likely than not to be realized.



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After the reorganization of the Partnership's predecessor's activities into the new group structure in February 2013, all profit from continuing operations in Norway is taxable within the tonnage tax regime. The consequence of the reorganization is a one-time entrance tax into the Norwegian tonnage tax regime due to the Partnership's acquisition of the shares in the subsidiary that owns the *Fortaleza Knutsen* and the *Recife Knutsen*. The total amount of the entrance tax was estimated to be approximately \$3.0 million, which was recognized in the three months ended March 31, 2013. At September 30, 2017 the Partnership acquired the shares in the subsidiary that owns the *Lena Knutsen*, and recognized an additional entrance tax of \$0.1 million. The entrance tax on this gain is payable over several years and is calculated by multiplying the Norwegian tax rate by the declining balance of the gain, which will decline by 20% each year. At December 31, 2022 the entrance tax had declined to approximately \$0.2 million due to paid entrance tax, change in tax rate and translation effects. As of December 31, 2023, the entrance tax had declined to approximately \$0.16 million due to paid entrance tax and translation effects. The taxes payable are calculated based on the Norwegian corporate tax rate of 22% for 2023 and 2022, and the deferred tax liabilities are also calculated based on a tax rate of 22% effective for 2023 and 2022. Income tax expense within the UK of \$14,750 and \$8,722 for 2023 and 2022, respectively, was calculated by multiplying the tax basis with the UK tax rate of 25% and 19% in 2023 and 2022, respectively.

As of December 31, 2023, the total income taxes payable are estimated to be \$0.04 million and consist primarily of net financial income and expense taxable in Norway at the normal corporate income tax rate, payable Norwegian entrance tax and ordinary UK corporation tax. As of December 31, 2022, the total income taxes payable are estimated to be \$0.7 million and consist primarily of net financial income and expense taxable in Norway at the normal corporate income tax rate, payable Norwegian entrance tax and ordinary UK corporation tax.

The tax loss carry forward from ordinary taxation and financial loss carry forwards for tonnage tax have no expiration dates.

The Partnership's Norwegian income tax returns are subject to examination by Norwegian tax authorities going back ten years. The Partnership had no unrecognized tax benefits as of December 31, 2023 and 2022. During the years ended December 31, 2023 and 2022, the Partnership did not incur any interest or penalties on its tax returns.

On December 14, 2017, the Norwegian government concluded the negotiations with the EFTA Surveillance Authority regarding the Norwegian tonnage tax regime, which has been approved for another ten years, until 2027. Pursuant to the approval, Norway has introduced restrictions that eliminates the ability of companies that own vessels under certain bareboat charters to qualify for the Norwegian tonnage tax regime. Companies that no longer qualify for the Norwegian tonnage tax regime will instead be subject to Norwegian corporate income tax. However, there are no limitations on intra-group bareboat chartering, as well as bareboat charters where crewing services are carried out by a related party. In order to constitute a related party, a minimum of 25% ownership/control is required, according to the "associated enterprise" definition in the ATAD directive (Council Directive EU 2016/1164.) Due to the fact that KNOT has an ownership interest in the Partnership that exceeds 25% as well as an ownership interest of 100% in KNOT Management and KNOT Management Denmark AS which provide services to the Vessels owned by the Partnership which operate on bareboat charters, the Vessels operating on bareboat charters are effectively seen as time charter services to the customer. The services are provided to the charterer. If this related party situation is ended, other alternatives and possibly mitigating measures must be evaluated.

## **19) Related Party Transactions**

### **(a) Related Parties**

Prior to the IPO, the Partnership's predecessor operated as an integrated part of KNOT. KNOT is owned 50% by TSSI and 50% by NYK Europe.

The Partnership's vessels that operate under time charters are subject to technical management agreements pursuant to which certain crew, technical and commercial management services are provided by KNOT Management or KNOT Management Denmark, each of which is a 100% owned subsidiary of KNOT. Under these technical management agreements, the Partnership's subsidiaries pay fees to and reimburse the costs and expenses of KNOT Management. With respect to the Partnership's vessels that operate under bareboat charters, the customer is responsible for providing the crew, technical and commercial management of the vessel. However, each of the vessels operating under bareboat charters are subject to management and administration agreements with either KNOT Management or KNOT Management Denmark, pursuant to which these companies provide general monitoring services for the vessels in exchange for an annual fee.



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The Partnership is a party to an administrative services agreement with KNOT UK, pursuant to which KNOT UK provides administrative services, and KNOT UK is permitted to subcontract certain of the administrative services provided under the administrative services agreement to KOAS UK and KOAS. On May 7, 2015, the Partnership entered into an amendment to the administrative services agreement, which allows KNOT UK to also subcontract administrative services to KNOT Management.

The amounts of such costs and expenses included in the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021 are as follows:

<i>(U.S. Dollars in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
<b>Statements of operations:</b>			
<i>Time charter and bareboat revenues:</i>			
Time charter income from KNOT (1)	\$ 28,682	\$ 14,531	\$ 6,427
<i>Operating expenses:</i>			
Vessel operating expenses (2)	16,507	15,828	16,812
Voyage expenses and commissions (3)	70	59	—
Technical and operational management fee from KNOT to Vessels (4)	10,461	9,265	8,429
Operating expenses from other related parties (5)	801	799	866
<i>General and administrative expenses:</i>			
Administration fee from KNOT Management (6)	1,189	1,356	1,277
Administration fee from KOAS (6)	631	699	780
Administration fee from KOAS UK (6)	71	76	80
Administration and management fee from KNOT (7)	64	59	58
<b>Total income (expenses)</b>	<b>\$ (1,112)</b>	<b>\$ (13,610)</b>	<b>\$ (21,875)</b>
<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022	At December 31, 2021
<b>Balance Sheet:</b>			
<i>Vessels:</i>			
Drydocking supervision fee from KNOT (8)	\$ 135	\$ 156	\$ 134
Drydocking supervision fee from KOAS (8)	(77)	96	—
Equipment purchased from KOAS (9)	577	1,148	1,840
<b>Total</b>	<b>\$ 635</b>	<b>\$ 1,400</b>	<b>\$ 1,974</b>

- (1) *Time charter income from KNOT:* The *Bodil Knutsen* has operated under a time charter with Knutsen Shuttle Tankers Pool AS, a subsidiary of KNOT, since the second quarter of 2021. The *Hilda Knutsen* commenced a time charter with Knutsen Shuttle Tankers Pool AS in the third quarter of 2022. The *Torill Knutsen* commenced a time charter with Knutsen Shuttle Tankers Pool AS in the first quarter of 2023.
- (2) *Vessel operating expenses:* KNOT Management or KNOT Management Denmark provides technical and operational management of the vessels on time charter including crewing and crew training services.
- (3) *Voyage expenses and commissions:* As of December 31, 2023 the *Ingrid Knutsen* and the *Torill Knutsen* had completed spot voyages where Knutsen Shuttle Tankers Pool AS has earned a 1.25% commission. As of December 31, 2022 the *Windsor Knutsen* and the *Torill Knutsen* had completed spot voyages where Knutsen Shuttle Tankers Pool AS has earned a 1.25% commission.
- (4) *Technical and operational management fee, from KNOT Management or KNOT Management Denmark to Vessels:* KNOT Management or KNOT Management Denmark provides technical and operational management of the vessels on time charter including crewing, purchasing, maintenance and other operational service. In addition, there is also a charge for 24-hour emergency response services provided by KNOT Management for all vessels managed by KNOT Management.



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- (5) *Operating expenses from other related parties:* Simsea Real Operations AS, a company jointly owned by the Partnership's Chairman of the Board, Trygve Seglem, and by other third-party shipping companies in Haugesund, provides simulation, operational training assessment and other certified maritime courses for seafarers. The cost is course fees for seafarers. Knutsen OAS Crewing AS, a subsidiary of TSSI, provides administrative services related to Eastern European crew on vessels operating on time charter contracts. The cost is a fixed fee per month per such crew member onboard a vessel. Level Power & Automation AS, a company that provides the Partnership's vessels with equipment and inspection services, is owned by Level Group AS, where Trygve Seglem, his family and members of TSSI management have significant influence.
- (6) *Administration fee from KNOT Management, Knutsen OAS Shipping AS ("KOAS") and Knutsen OAS (UK) Ltd. ("KOAS UK"):* Administration costs include compensation and benefits of KNOT Management's management and administrative staff on a time-spent basis as well as other general and administration expenses. Some services are also provided by KOAS and KOAS UK. Net costs are total administration cost plus a 5% margin. As such, the level of administration costs charged to the Partnership can vary from year to year based on the administration and financing services provided each year. KNOT Management also charges each subsidiary a fixed annual fee for the preparation of statutory financial statements.
- (7) *Administration and management fee from KNOT Management and KNOT Management Denmark:* For bareboat charters, the shipowner is not responsible for providing crewing or other operational services and the customer is responsible for all vessel operating expenses and voyage expenses. However, each of the vessels under bareboat charters is subject to a management and administration agreement with either KNOT Management or KNOT Management Denmark, pursuant to which these companies provide general monitoring services for the vessels in exchange for an annual fee.
- (8) *Drydocking supervision fee from KNOT Management, KNOT Management Denmark and KOAS:* KNOT Management, KNOT Management Denmark and KOAS provide supervision and hire out service personnel during drydocking of the vessels. The fee is calculated as a daily fixed fee.
- (9) *Equipment purchased from Knutsen Ballast Water AS:* As part of the scheduled drydocking of the *Carmen Knutsen* that commenced in the fourth quarter of 2022 until the first quarter of 2023, a ballast water treatment system was installed on the vessel. As part of the scheduled drydocking of the *Torill Knutsen* in the fourth quarter of 2023, a ballast water treatment system was installed on the vessel. As of December 31, 2023, parts of the system had been purchased from Knutsen Ballast Water AS, a subsidiary of TSSI, for \$0.58 million. During the scheduled drydocking of the *Windsor Knutsen* in 2022, a ballast water treatment system was installed on the vessel. As of December 31, 2022, parts of the systems installed on the *Windsor Knutsen* and the *Carmen Knutsen* had been purchased from Knutsen Ballast Water AS for \$1.15 million.

### **(b) Transactions with Management and Directors**

Trygve Seglem, the Chairman of the Partnership's board of directors and the President and CEO of KNOT, controls Seglem Holding AS, which owns 100% of the equity interest in TSSI, which controls KOAS. TSSI owns 50% of the equity interest in KNOT. NYK, which owns 50% of the equity interest in KNOT, has management and administrative personnel on secondment to KNOT. Mr. Seglem, along with other third-party shipping companies in Haugesund, also jointly owns Simsea Real Operations AS.

See the footnotes to Note 19(a)—Related Party Transactions—Related Parties for a discussion of the allocation principles for KNOT's administrative costs, including management and administrative staff, included in the consolidated statements of operations.



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### **(c) Amounts Due from and Due to Related Parties**

Balances with related parties consisted of the following:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
<b>Balance Sheet:</b>		
Trading balances due from KOAS	\$ —	\$ 118
Trading balances due from KNOT and affiliates	348	1,880
Amount due from related parties	<u>\$ 348</u>	<u>\$ 1,998</u>
Trading balances due to KOAS	\$ 1,696	\$ 1,398
Trading balances due to KNOT and affiliates	410	319
Amount due to related parties	<u>\$ 2,106</u>	<u>\$ 1,717</u>

Amounts due from and due to related parties are unsecured and intended to be settled in the ordinary course of business. The majority of these related party transactions relate to vessel management and other fees due to KNOT, KNOT Management, KOAS UK and KOAS.

### **(d) Trade accounts payable and other current assets**

Trade accounts payable to related parties are included in total trade accounts payables in the balance sheet. The balances to related parties consisted of the following:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
<b>Balance Sheet:</b>		
Trading balances due to KOAS	\$ 1,158	\$ 824
Trading balances due to KNOT and affiliates	2,045	998
Trade accounts payables to related parties	<u>\$ 3,203</u>	<u>\$ 1,822</u>

Trading balances from KNOT and affiliates are included in other current assets in the balance sheet. The balances from related parties consisted of the following:

<i>(U.S. Dollars in thousands)</i>	At December 31, 2023	At December 31, 2022
<b>Balance Sheet:</b>		
Trade receivables due from KNOT and affiliates (refer to note 12 (b))	\$ —	\$ 1,405
Other trading balances due from KOAS	376	645
Other trading balances due from KNOT and affiliates	—	353
Other current assets from related parties	<u>\$ 376</u>	<u>\$ 2,403</u>

### **(e) Acquisitions from KNOT**

On July 1, 2022, the Partnership acquired KNOT's 100% interest in KNOT Shuttle Tankers 35 AS, the company that owns and operates the *Synnøve Knutsen*. This acquisition was accounted for as an acquisition of assets.

The board of directors of the Partnership (the "Board") and the Conflicts Committee of the Board approved the purchase price for the transaction described above. The Conflicts Committee retained a financial advisor to assist with its evaluation of each of the transactions. See Note 24—Acquisitions.



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### **20) Commitments and Contingencies**

#### ***Assets Pledged***

As of December 31, 2023 and 2022, Vessels with a book value of \$1,493 million and \$1,631 million, respectively, were pledged as security held as guarantee for the Partnership's long-term debt and interest rate swap obligations. See Note 10—Derivative Instruments, Note 14—Vessels and Equipment and Note 17—Long-Term Debt.

#### ***Claims and Legal Proceedings***

Under the Partnership's time charters, claims to reduce the hire rate payments can be made if the Vessel does not perform to certain specifications in the agreements. No accrual for possible claims was recorded for the years ended December 31, 2023, 2022 and 2021.

From time to time, the Partnership is 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.

#### ***Insurance***

The Partnership maintains insurance on all the Vessels to insure against marine and war risks, which include damage to or total loss of the Vessels, subject to deductible amounts that average \$0.15 million per Vessel, and loss of hire.

Under the loss of hire policies, the insurer will pay compensation for the lost hire rate agreed in respect of each Vessel for each day, in excess of 14 deductible days, for the time that the Vessel is out of service as a result of damage, for a maximum of 180 days. In addition, the Partnership maintains protection and indemnity insurance, which covers third-party legal liabilities arising in connection with the Vessels' activities, including, among other things, the injury or death of third-party persons, loss or damage to cargo, claims arising from collisions with other vessels and other damage to other third-party property, including pollution arising from oil or other substances. This insurance is unlimited, except for pollution, which is limited to \$1 billion per vessel per incident. The protection and indemnity insurance is maintained through a protection and indemnity association, and as a member of the association, the Partnership may be required to pay amounts above budgeted premiums if the member claims exceed association reserves, subject to certain reinsured amounts. If the Partnership experiences multiple claims each with individual deductibles, losses due to risks that are not insured or claims for insured risks that are not paid, it could have a material adverse effect on the Partnership's results of operations and financial condition. See Note 8—Insurance Proceeds.

### **21) Impairment of Long-Lived Assets**

The carrying value of the Partnership's fleet is regularly assessed as events or changes in circumstances may indicate that a vessel's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, and in such situation the carrying amount of the vessel is reduced to its estimated fair value. The Partnership considers factors related to vessel age, expected residual value, ongoing use of the vessels and equipment, shifts in market conditions and other impacting factors associated with the shuttle tanker business as well as the wider global oil and maritime transportation industries.

This exercise in the second quarter of 2023 resulted in impairments in respect of both the *Dan Cisne* and the *Dan Sabia* principally due to their current charter contracts moving closer to expiration without being renewed, their high carrying value, and their smaller size not being optimal for the Brazilian market, therefore affecting the outlook for their future employment. The carrying values of the *Dan Cisne* and the *Dan Sabia* were written down to their estimated fair value, using a discounted cash flow valuation. Our estimates of future cash flows involve assumptions about future hire rates, vessel utilization, operating expenses, drydocking expenditures, vessel residual values, the remaining estimated life of our vessels, possible sale of the two vessels and discount rates. The Partnership's consolidated statement of operations for the year ended December 31, 2023, includes a \$24.5 million impairment charge related to the *Dan Cisne* and \$25.2 million impairment charge related to the *Dan Sabia*. The impairment of the *Dan Cisne* and the *Dan Sabia* is included in the Partnership's only segment, the shuttle tanker segment.



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### 22) Earnings per Unit and Cash Distributions

The calculations of basic and diluted earnings per unit (1) are presented below:

	Year Ended December 31,		
	2023	2022	2021
<i>(U.S. Dollars in thousands, except per unit data)</i>			
Net income (loss)	\$ (34,328)	\$ 58,667	\$ 53,876
Less: Series A Preferred unitholders' interest in net income	6,800	6,800	6,900
Net income (loss) attributable to the unitholders of KNOT Offshore Partners LP	(41,128)	51,867	46,976
Less: Distributions (2)	3,607	55,404	72,520
Under (over) distributed earnings	(44,735)	(3,537)	(25,544)
Under (over) distributed earnings attributable to:			
Common unitholders	(43,909)	(3,430)	(24,927)
Class B unitholders (3)	—	(42)	(147)
General Partner	(826)	(65)	(470)
Weighted average units outstanding (basic) (in thousands):			
Common unitholders	34,045	33,882	33,050
Class B unitholders	252	416	195
General Partner	640	640	623
Weighted average units outstanding (diluted) (in thousands):			
Common unitholders	38,430	37,919	37,064
Class B unitholders	252	416	195
General Partner	640	640	623
Earnings per unit (basic)			
Common unitholders	\$ (1.19)	\$ 1.48	\$ 1.38
Class B unitholders (3)	—	1.48	2.62
General Partner	(1.19)	1.48	1.38
Earnings per unit (diluted):			
Common unitholders (4)	\$ (1.19)	\$ 1.48	\$ 1.38
Class B unitholders (3)	—	1.48	2.62
General Partner	(1.19)	1.48	1.38
Cash distributions declared and paid in the period per unit (5)	\$ 0.10	\$ 2.08	\$ 2.08
Subsequent event: Cash distributions declared and paid per unit relating to the period (6)	\$ 0.03	\$ 0.03	\$ 0.52

- (1) Earnings per unit have been calculated in accordance with the cash distribution provisions set forth in the Partnership's agreement of limited partnership (the "Partnership Agreement").
- (2) This refers to distributions made or to be made in relation to the period irrespective of the declaration and payment dates and based on the number of units outstanding at the record date.
- (3) When the distribution target is not met, there is no allocation of net income (loss) to Class B units.
- (4) Diluted weighted average units outstanding and earnings per unit diluted for the year ended December 31, 2023, 2022 and 2021 does not reflect any potential common units relating to the Series A Preferred Units since the assumed issuance of any additional units would be anti-dilutive.
- (5) Refers to cash distributions declared and paid during the period.
- (6) Refers to cash distributions declared and paid subsequent to the period end.

On May 27, 2021, Tortoise Direct Opportunities Fund LP, the holder of 416,677 of the Partnership's Series A Convertible Preferred Units ("Series A Preferred Units"), sold 208,333 of its Series A Preferred Units to KNOT and converted 208,334 Series A Preferred Units to 215,292 common units based on a conversion rate of 1.0334.



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The Series A Preferred Units rank senior to the common units and Class B Units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up. The Series A Preferred Units have a liquidation preference of \$24.00 per unit, plus any Series A unpaid cash distributions, plus all accrued but unpaid distributions on such Series A Preferred Unit with respect to the quarter in which the liquidation occurs to the date fixed for the payment of any amount upon liquidation. The Series A Preferred Units are entitled to cumulative distributions from their initial issuance date, with distributions being calculated at an annual rate of 8.0% on the stated liquidation preference and payable quarterly in arrears within 45 days after the end of each quarter, when, as and if declared by the Board.

The Series A Preferred Units are generally convertible, at the option of the holders of the Series A Preferred Units, into common units at the applicable conversion rate. The conversion rate will be subject to adjustment under certain circumstances. In addition, the conversion rate will be redetermined on a quarterly basis, such that the conversion rate will be equal to \$24.00 (the "Issue Price") divided by the product of (x) the book value per common unit at the end of the immediately preceding quarter (pro-forma for per unit cash distributions payable with respect to such quarter) multiplied by (y) the quotient of (i) the Issue Price divided by (ii) the book value per common unit on February 2, 2017. In addition, the Partnership may redeem the Series A Preferred Units at any time until February 2, 2027 at the redemption price specified in the Partnership Agreement, provided, however, that upon notice from the Partnership to the holders of Series A Preferred Units of its intent to redeem, such holders may elect, instead, to convert their Series A Preferred Units into common units at the applicable conversion rate.

Upon a change of control of the Partnership, the holders of Series A Preferred Units will have the right to require cash redemption at 100% of the Issue Price. In addition, the holders of Series A Preferred Units will have the right to cause the Partnership to redeem the Series A Preferred Units on February 2, 2027 in, at the option of the Partnership, (i) cash at a price equal to 70% of the Issue Price or (ii) common units such that each Series A Preferred Unit receives common units worth 80% of the Issue Price (based on the volume-weighted average trading price, as adjusted for splits, combinations and other similar transactions, of the common units as reported on the NYSE for the 30 trading day period ending on the fifth trading day immediately prior to the redemption date) plus any accrued and unpaid distributions. In addition, subject to certain conditions, the Partnership has the right to convert the Series A Preferred Units into common units at the applicable conversion rate if the aggregate market value (calculated as set forth in the partnership agreement) of the common units into which the outstanding Series A Preferred Units are convertible, based on the applicable conversion rate, is greater than 130% of the aggregate Issue Price of the outstanding Series A Preferred Units.

The Series A Preferred Units have voting rights that are identical to the voting rights of the common units and Class B Units, except they do not have any right to nominate, appoint or elect any of the directors of the Board, except whenever distributions payable on the Series A Preferred Units have not been declared and paid for four consecutive quarters (a "Trigger Event"). Upon a Trigger Event, holders of Series A Preferred Units, together with the holders of any other series of preferred units upon which like rights have been conferred and are exercisable, may replace one of the members of the Board appointed by the General Partner with a person nominated by such holders, such nominee to serve until all accrued and unpaid distributions on the preferred units have been paid. The Series A Preferred Units are entitled to vote with the common units and Class B Units as a single class so that the Series A Preferred Units are entitled to one vote for each common unit into which the Series A Preferred Units are convertible at the time of voting.

On September 7, 2021, the Partnership entered into an exchange agreement with its general partner and KNOT whereby KNOT contributed to the Partnership all of KNOT's IDRs in exchange for the issuance by the Partnership to KNOT of 673,080 common units and 673,080 Class B Units, whereupon the IDRs were cancelled (the "IDR Exchange"). The IDR Exchange closed on September 10, 2021. The Class B Units are a new class of limited partner interests which are not entitled to receive cash distributions in any quarter unless common unitholders receive a distribution of at least \$0.52 for such quarter (the "Distribution Threshold"). When common unitholders receive a quarterly distribution at least equal to the Distribution Threshold, then Class B unitholders will be entitled to receive the same distribution as common unitholders.

For each quarter (starting with the quarter ended September 30, 2021) that the Partnership pays distributions on the common units that are at or above the Distribution Threshold, one-eighth of the Class B Units will be converted to common units on a one-for-one basis until such time as no further Class B Units exist. The Class B Units will generally vote together with the common units as a single class.



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After the payment of the Partnership's quarterly cash distribution on February 12, 2022, with respect to the fourth quarter of 2021, 84,135 of the Class B Units converted to common units on a one-to-one basis. After the payment of the Partnership's quarterly cash distribution on May 12, 2022, with respect to the first quarter of 2022, 84,135 of the Class B Units converted to common units on a one-to-one basis. After the payment of the Partnership's quarterly cash distribution on August 11, 2022, with respect to the second quarter of 2022, 84,135 of the Class B Units converted to common units on a one-to-one basis. After the payment of the Partnership's quarterly cash distribution on November 9, 2022 with respect to the third quarter of 2022, 84,135 of the Class B Units converted to common units on a one-to-one basis.

On January 11, 2023, the Partnership declared a quarterly cash distribution with respect to the fourth quarter of 2022 of \$0.026 per common unit and, after the payment of this quarterly cash distribution on February 9, 2023, no Class B Units converted to common units. After the payment of the Partnership's quarterly cash distribution on May 11, 2023, with respect to the first quarter, no Class B Units converted to common units. After the payment of the Partnership's quarterly cash distribution on August 10, 2023, with respect to the second quarter, no Class B Units converted to common units. After the payment of the Partnership's quarterly cash distribution on November 9, 2023, with respect to the third quarter, no Class B Units converted to common units.

As of December 31, 2023, 71.4% of the Partnership's total number of common units outstanding representing limited partner interests were held by the public (in the form of 24,293,458 common units) and 28.4% of such units were held directly by KNOT (in the form of 9,661,255 common units). In addition, KNOT, through its ownership of the General Partner, held a 1.83% general partner interest (in the form of 640,278 general partner units) and a 0.3% limited partner interest (in the form of 90,368 common units). As of December 31, 2023, KNOT also held 208,333 Series A Preferred Units and 252,405 Class B Units.

Earnings per unit—basic is determined by dividing net income, after deducting the amount of net income attributable to the Series A Preferred Units and the distribution paid or to be made in relation to the period, by the weighted-average number of units outstanding during the applicable period.

The computation of limited partners' interest in net income per common unit – diluted assumes the issuance of common units for all potentially dilutive securities consisting of 3,541,666 Series A Preferred Units and 252,405 Class B Units as of December 31, 2023. Consequently, the net income attributable to limited partners' interest is exclusive of any distributions on the Series A Preferred Units. In addition, the weighted average number of common units outstanding has been increased assuming the Series A Preferred Units and Class B Units have been converted to common units using the if-converted method. The computation of limited partners' interest in net income per common unit – diluted does not assume the issuance of Series A Preferred Units and Class B Units if the effect would be anti-dilutive.

The General Partner's, Class B unitholders' and common unitholders' interest in net income was calculated as if all net income was distributed according to the terms of the Partnership Agreement, regardless of whether those earnings would or could be distributed. The Partnership Agreement does not provide for the distribution of net income. Rather, it provides for the distribution of available cash, which is a contractually defined term that generally means all cash on hand at the end of each quarter less the amount of cash reserves established by the Board to provide for the proper conduct of the Partnership's business, including reserves for future capital expenditures, anticipated credit needs and capital requirements and any accumulated distributions on, or redemptions of, the Series A Preferred Units. Unlike available cash, net income is affected by non-cash items, such as depreciation and amortization, unrealized gains and losses on derivative instruments and unrealized foreign currency gains and losses.



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### 23) Unit Activity

The following table shows the movement in number of common units, Class B Units, general partner units and Series A Preferred Units from December 31, 2021 until December 31, 2023:

<i>(in units)</i>	<u>Common Units</u>	<u>Class B Units</u>	<u>General Partner Units</u>	<u>Convertible Preferred Units</u>
<b>December 31, 2021</b>	<b>33,708,541</b>	<b>588,945</b>	<b>640,278</b>	<b>3,541,666</b>
February 10, 2022: Quarterly conversion of Class B Units	84,135	(84,135)	—	—
May 12, 2022: Quarterly conversion of Class B Units	84,135	(84,135)	—	—
August 11, 2022: Quarterly conversion of Class B Units	84,135	(84,135)	—	—
November 9, 2022: Quarterly conversion of Class B Units	84,135	(84,135)	—	—
<b>December 31, 2022</b>	<b>34,045,081</b>	<b>252,405</b>	<b>640,278</b>	<b>3,541,666</b>
February 9, 2023: Quarterly conversion of Class B Units	—	—	—	—
May 11, 2023: Quarterly conversion of Class B Units	—	—	—	—
August 10, 2023: Quarterly conversion of Class B Units	—	—	—	—
November 9, 2023: Quarterly conversion of Class B Units	—	—	—	—
<b>December 31, 2023</b>	<b>34,045,081</b>	<b>252,405</b>	<b>640,278</b>	<b>3,541,666</b>

On February 10, 2022, 84,135 Class B units were converted to common units on a one-to-one basis pursuant to the Partnership Agreement.

On May 12, 2022, 84,135 Class B units were converted to common units on a one-to-one basis pursuant to the Partnership Agreement.

On August 11, 2022, 84,135 Class B units were converted to common units on a one-to-one basis pursuant to the Partnership Agreement.

On November 9, 2022, 84,135 Class B units were converted to common units on a one-to-one basis pursuant to the Partnership Agreement.

### 24) Acquisitions

On July 1, 2022, the Partnership's wholly owned subsidiary, KNOT Shuttle Tankers AS, acquired KNOT Shuttle Tankers 35 AS ("KNOT 35"), the company that owns and operates the *Synnøve Knutsen*. The purchase price for the vessel was \$119.0 million, less \$87.7 million of outstanding indebtedness related to the *Synnøve Knutsen* plus approximately \$0.6 million for certain capitalized fees related to the financing of the Vessel and plus customary working capital purchase price adjustments of \$5.9 million.



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The board of directors of the Partnership and the Conflicts Committee approved the purchase price for the transaction. The Conflicts Committee retained a financial advisor to assist with its evaluation of the transaction. The cost of the fee paid to the financial advisor was divided equally between the Partnership and KNOT. Acquisition related costs of \$0.04 million as of December 31, 2022, were capitalized as a component of the assets acquired. The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition. The purchase price of the acquisition has been allocated to the identifiable assets acquired. The details of the transaction are as follows:

<i>(U.S. Dollars in thousands)</i>	<b>Final Synnøve Knutsen July 1, 2022</b>
Purchase consideration (1)	\$ 37,907
Less: Fair value of net assets acquired:	
Vessels and equipment (2)	119,119
Cash	5,702
Inventories	291
Derivatives assets (liabilities)	958
Others current assets	211
Amounts due from related parties	53
Long-term debt	(87,661)
Deferred debt issuance	592
Trade accounts payable	(160)
Accrued expenses	(694)
Amounts due to related parties	(503)
Income tax payable	(1)
Subtotal	37,907
Difference between the purchase price and fair value of net assets acquired	\$ —

(1) The purchase consideration comprises the following:

<i>(U.S. Dollars in thousands)</i>	<b>Final Synnøve Knutsen July 1, 2022</b>
Cash consideration paid to KNOT (from KNOP)	\$ 31,931
Purchase price adjustments	5,937
Acquisition-related costs	39
Purchase price	\$ 37,907

(2) Vessel and equipment includes allocation to drydocking (in thousands) of \$2,133.

## 25) Subsequent Events

The Partnership has evaluated subsequent events from the balance sheet date through April 11, 2024, the date at which the audited consolidated financial statements were issued, and determined that there are no other items to disclose, except as follows:

On January 16, 2024, the Partnership declared a quarterly cash distribution of \$0.026 per common unit with respect to the quarter ended December 31, 2023, which was paid on February 8, 2024, to all common unitholders of record on January 29, 2024. On the same day, the Partnership declared a quarterly cash distribution to holders of Series A Preferred Units with respect to the quarter ended December 31, 2023 in an aggregate amount of \$1.7 million.



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The *Hilda Knutsen*, *Torill Knutsen* and *Bodil Knutsen* each continued to operate on separate time charter contracts with a subsidiary of KNOT, at a reduced charter rate. On January 2, 2024, these rolling monthly contracts were extended to January 2025 for the *Hilda Knutsen* and the *Torill Knutsen*. The *Bodil Knutsen* was extended until she went on her new fixed two-year time charter with Equinor on March 27, 2024. The Partnership is continuing to market the *Hilda Knutsen* and the *Torill Knutsen* for new, third-party charter employment.

On January 9, 2024, an extension to the existing bareboat charter party for the *Dan Sabia* was signed with Transpetro, extending the vessel's fixed employment to early June 2024.

On January 9, 2024, the loan facility secured by the *Dan Sabia* was repaid in full with a \$10.4 million payment. The *Dan Sabia* and the *Dan Cinse* are now debt-free and there are no plans to incur additional borrowings secured by these vessels until such time as the Partnership has better visibility on the vessels' future employment.

Commencing January, 2024, the *Dan Cisne* has been deployed in the spot market for short-term conventional tanker work, while being assessed for the upgrades necessary to fulfil the requirements of shuttle tanker operations in North Sea.

On January 28, 2024, the *Torill Knutsen* experienced a broken generator rotor, which limits the range of client facilities this vessel is able to serve. Under its loss of hire insurance policies, the Partnership will be compensated by insurance for the extent to which, as a consequence of this breakage, the *Torill Knutsen's* earnings fall short of a contractual hire rate, commencing 14 days after the date of the breakage. The Partnership expects the supply of necessary components, and thereafter completion of the repair, to be achieved late in the second quarter or early in the third quarter of 2024. The Partnership also expects that the repair cost will be covered by insurance, in excess of a deductible of \$150,000.

On March 16, 2024 the *Vigdis Knutsen* was delivered to Shell to commence on a three-year time charter.

On March 22, 2024, TotalEnergies exercised its option to extend their charter with the *Anna Knutsen* to April 2026.

On March 28, 2024 the *Ingrid Knutsen* was redelivered from Altera, following which she has worked in the conventional tanker market. While she is due for delivery to Eni during April 2024 on three-year time charter contract, it is possible that commercial terms no less favourable to the Partnership may be agreed for an alternative delivery later in 2024.

On April 5, 2024, the Partnership's subsidiary, Knutsen Shuttle Tankers 14 AS, which owns the vessel *Hilda Knutsen*, entered into a new \$60 million senior secured term loan facility with DNB (the "\$60 Million Hilda Facility"). The \$60 Million Hilda Facility is due to replace the \$100 million loan facility with Mitsubishi UFJ Lease & Finance (Hong Kong) Limited, which matures in May 2024. This refinancing is anticipated to close prior to the maturity date of the expiring facility, and remains subject to execution of definitive documentation and other customary closing conditions.



## Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 25.01.2013	Vår dato 30.01.2013
Telefon 22078139	Deres referanse	Vår referanse 2013/72130

KNUTSEN OAS SHIPPING AS  
Postboks 2017  
5504 HAUGESUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 25. januar 2013 og telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk på vegne av;

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

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

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

### Bakgrunn

Knutsen EOR Solutions AS er eid 100 % av TS Shipping Invest AS. De øvrige selskapene er eid 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. som er hjemmehørende i Nederland. TS Shipping Invest AS fikk i vedtak (2010/867030) av 2. juni 2010 dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk. Det er også gitt tillatelse til datter selskaper og selskaper som er eid 50 % av TS Shipping Invest AS og 50 % av NYK Logistics Holding (Europe) B.V. Selskapene driver virksomhet innen shippingbransjen som er en global bransje hvor engelsk primært benyttes ved kommunikasjon med omverden. Selskapene benytter også engelsk som arbeidsspråk internt. Brukerne av regnskapene er hovedsakelig aksjonærer, banker samt interessegrupper tilknyttet driften. Styrene i selskapene har medlemmer som ikke er norskspråklige. De norske versjonene av årsregnskapet utarbeides kun for å tilfredsstille regnskapsloven.

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	Besøksadresse: Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a> Org.nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
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### Skattedirektoratets vurdering

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

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

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

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

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

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at tilsvarende selskaper i konsernet er innvilget dispensasjon. Eierkretsen er begrenset. Selskapene opererer i en global bransje hvor engelsk primært benyttes. Arbeidsspråk er også engelsk. Videre er det vektlagt at styrene i selskapene har medlemmer som ikke er norskspråklige.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Torstein Kinden Helleland



Admincontrol

## List of Signatures Page 1/1

### 73ST - KNOT Shuttle Tankers AS.pdf

Name	Method	Signed at
Seglem, Trygve	BANKID	2024-03-13 18:29 GMT+01
Dahl, Karl Gerhard B	BANKID	2024-03-13 17:06 GMT+01
Domyo, Takashi	BANKID	2024-03-13 16:48 GMT+01



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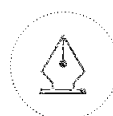


# KNOT Shuttle Tankers AS

## Annual Report 2023



**KNOT**  
Offshore Partners LP



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## KNOT SHUTTLE TANKERS AS (the "Company")

### DIRECTORS' REPORT 2023

KNOT Shuttle Tankers AS controls a modern fleet of specialised offshore loading dynamic positioning vessels. The Company is the holding company for several ship-owning subsidiaries and operates out of Haugesund, Norway. The Company is ultimately the subsidiary of KNOT Offshore Partners LP ("KNOP") controlling the Norwegian owned and tonnage taxed entities in the KNOP Group.

#### The Company's activities

The Company operates a modern fleet of specialised shuttle tankers where most of the fleet are on time charter contracts to first class charterers.

KNOT Management AS in Haugesund and KNOT Management Denmark A/S in Copenhagen is responsible for the operation of the vessels in accordance with separate management agreements with each of the ship owning companies or the charterers. The ship owning companies have no direct employees. The crew onboard the vessels are employed by the manager's or their subcontractors.

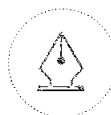
Our vessels transport oil from several oil fields in the Northern Europe and Brazil. The vessels operate in a demanding trade with frequent offshore loadings and subsequent port calls, requiring high quality operations.

#### Profit for the year

KNOT Shuttle Tankers AS accounting principle for shares is to value them according to the cost method.

The Company does not have its own operation, and total operating income was NOK 0, and after operating expenses for the Company of NOK 1 165 301 (NOK 894 213 in 2022) this contributed to an operating result of minus NOK 1 165 301 (minus NOK 894 213 in 2022). Net financial gain summarizes to NOK 743 915 460 (NOK 208 319 653 in 2022). The financial gain includes NOK 862 927 589 in dividends from subsidiaries (NOK 211 709 426 in 2022). Ordinary result before tax amounted to NOK 742 750 158 (NOK 207 425 440 in 2022). Result of the year after tax amounted to NOK 789 751 852 (NOK 198 455 270 in 2022). The Company is tonnage taxed in Norway and net financial items with tax adjustments is taxable. The tax calculations are further explained in the notes to the accounts.

The Board of Directors proposes that the result for the year is transferred to other equity. The Company have during 2023 paid out extraordinary dividend with NOK 143 270 300 to the owner.



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The total liquidity position of the Company was NOK 97 897 675 as at 31.12.2023, NOK 80 885 845 as at 31.12.2022.

Total assets at year-end amounted to NOK 4 256 722 660, compared to NOK 4 068 674 745 in 2022. Equity-share as at 31.12.2023 was 74 % compared to 61 % as at 31.12.2022.

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 § 3-3.

## **Risk factors**

The Group's result from the operational activities and vessels depends on the world-wide market for vessels within the shuttle tanker and crude oil tanker segments. Market conditions for shipping activities are typically volatile and, consequently, the result may vary considerably from year to year. The market in broad terms is dependent upon two factors: the supply of vessels and the overall growth in the world economy. The general supply of vessels is a combination of new buildings, demolition of older tonnage and legislation that limits the use of older vessels or new standards for vessels used in specific trades.

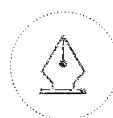
The company invest in new and modern vessels with long-term contract so secure earnings and reduce dependency to the oil price.

The Group has a combination of long and short terms fixed charter contracts where typically the larger investments have longer term employment significantly mitigating the earnings risk.

The Group has a high leverage as a result of the high financing capacity in the long-term contracts and such financing involves interest and currency risks. The board and management are aware of the exposure to such financial risks and employ strategies and financial instruments to reduce such risks. The fleet is leased out on time charter contracts and bare-boat contracts to oil- and energy companies, reducing the risk for market volatility and credit risk. Most of our income is denominated in USD whereas parts of the operating expenses are in European currencies resulting in some currency exposure. To reduce these risks, the Company from time to time employs hedging actively, commonly by forward contracts in relation to USD. The vessels are financed in USD which gives a natural hedge against freight income and second-hand market for vessels. The debt financing has variable interest rates, but a substantial part of the debt for the vessels on long-term charters are hedged with interest rates swaps.

## **Environment, safety, and quality control**

The requirements for safety and operation of ships are increasing, and the company, the group and the manager KNOT Management AS are concerned with operational excellence. The company vessel consists of modern ships which are designed and engineered for safe, environmentally sound, and efficient operations. The ship is



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maintained and upgraded continuously to meet the demands and expectations from stakeholders. The company and the manager put significant resources into quality assurance and there are strict requirements for safety systems and the operation of the ship.

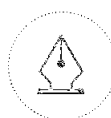
The operation of the vessel can affect the external environment through emissions of air and water and the company, and the manager therefore has a high focus on health, environment, and safety work. The company and manager are concerned with environmental considerations when implementing projects, and environmental considerations are included in all stages from planning and implementation from operation, maintenance, sorting and recycling. The manager and the crew focus on minimizing energy consumption and reducing the pollution from energy generation on the vessel from the daily operation. The requirements for environment and safety in the operations of vessels are increasing, and both the company, the manager and the KNOT Offshore Partners Group emphasize operational quality. There have been no accidents linked to operations that have had serious consequences for crew, the environment, or assets in 2023.

The company has no employees and thus no working environment. The company aims to be a workplace where there is no discrimination related to gender, ethnicity, religion, or disability. The board of directors considers the working conditions satisfactory. The company aims to avoid gender discrimination regarding salary, promotion and recruiting. The members of the Board of Directors are all men. There have not been taken out any board of directors' liability insurance.

The company and the other companies in the Norwegian part of the group 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](http://www.knutsenoas.com) and the report is updated minimum one time per year.

## Future developments

The Board of Directors has every reason to believe that Company and the subsidiaries will have a positive year in 2024.



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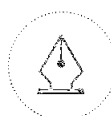


Haugesund, March 13, 2024

Trygve Seglem  
*Chairman of the Board*

Karl Gerhard Bråstein Dahl  
*Member of the Board*

Takashi Domyo  
*Member of the Board*



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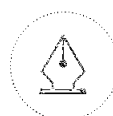
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**KNOT Shuttle Tankers AS**

**Profit & Loss Account**

	Note	2023	2022
<b><u>Operating Expenses</u></b>			
Administration	1	1 165 301	894 213
<i>Total Operating Expenses</i>		<u>1 165 301</u>	<u>894 213</u>
<i>Operating Result</i>		<u>-1 165 301</u>	<u>-894 213</u>
<b><u>Financial Income and Expenses</u></b>			
Financial income	2	910 780 402	318 338 474
Foreign exchange gain/loss		-61 915 261	-57 778 741
Financial expenses	2	-104 949 681	-52 240 080
<i>Net Financial Items</i>		<u>743 915 460</u>	<u>208 319 653</u>
<i>Result before taxes</i>		<u>742 750 158</u>	<u>207 425 440</u>
Taxes	3	47 001 694	-8 980 170
<i>Result for the year</i>		<u>789 751 852</u>	<u>198 445 270</u>



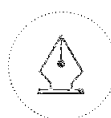
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**KNOT Shuttle Tankers AS**  
**Balance Sheet as of 31. December**

<u>Assets</u>	Note	2023	2022
<b><u>Non Current Assets</u></b>			
Deferred tax assets	3	44 423 596	0
Investments in other group companies	4	<u>4 078 424 114</u>	<u>3 852 072 361</u>
<i>Total non Current Assets</i>		<u>4 122 847 710</u>	<u>3 852 072 361</u>
<b><u>Current Assets</u></b>			
Receivables	9	77 047	67 671
Current receivables group		35 900 227	135 648 868
Bank deposits	5	<u>97 897 675</u>	<u>80 885 845</u>
<i>Total Current Assets</i>		<u>133 874 950</u>	<u>216 602 384</u>
<i>TOTAL ASSETS</i>		<u>4 256 722 660</u>	<u>4 068 674 745</u>



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

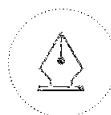
<b><u>Shareholders Equity and Liabilities</u></b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b><u>Equity</u></b>			
Share capital		606 000 000	606 000 000
Share premium		1 696 082 680	1 696 082 680
<i>Total capital paid-in</i>		<u>2 302 082 680</u>	<u>2 302 082 680</u>
Other equity		868 913 209	198 445 270
<i>Total Shareholders' Equity</i>	<b>6, 7</b>	<u>3 170 995 889</u>	<u>2 500 527 950</u>
<b><u>Long Term Debt</u></b>			
Deferred tax	<b>3</b>	1 138 934	2 577 659
Liabilities to financial institutions	<b>8</b>	510 124 999	1 039 231 034
Long-term debt group	<b>8</b>	456 765 925	479 479 440
<i>Total Long Term Debt</i>		<u>968 029 858</u>	<u>1 521 288 133</u>
<b><u>Current Liabilities</u></b>			
Accounts payable	<b>9</b>	374 511	316 973
Tax payable	<b>3</b>	284 734	6 402 502
Current liabilities group		115 021 685	31 926 057
Other current liabilities		2 015 983	8 213 130
<i>Total Current Liabilities</i>		<u>117 696 913</u>	<u>46 858 662</u>
<i>Total liabilities</i>		<u>1 085 726 771</u>	<u>1 568 146 795</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>4 256 722 660</u>	<u>4 068 674 745</u>

Haugesund, March 13, 2024,  
The board of KNOT Shuttle Tankers AS

Trygve Seglem  
chairman of the board

Karl Gerhard Bråstein Dahl  
member of the board

Takashi Domyo  
member of the board



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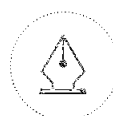


## KNOT SHUTTLE TANKERS AS

### CASHFLOW STATEMENT

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

	2023	2022
Result before tax	742,750,158	207,425,440
+ Paid tax	-6,757,980	-3,875,694
- Liquidation / dividend Knutsen Shuttle Tankers XII KS	-515,311,331	0
-/+ Profit/loss on foreign exchange liabilities to fin. institutions	51,362,500	51,012,000
-/+ Profit/loss on foreign loan to group company	15,159,485	11,608,340
+ Financial expenses - liabilities to financial institutions	961,965	1,317,046
+ Write-down investments subsidiaries	0	-63,333,657
= Total generated from operations	288,164,797	204,153,475
+ Net received on current assets	100,355,897	53,048,212
+ Net received on current liabilities	76,028,851	31,123,130
<b>Net cashflow from operations</b>	<b>464,549,545</b>	<b>288,324,817</b>
<u>Cashflow from investments</u>		
Investment in group companies	-286,134,916	-500,691,701
Dividends and repayment of equity from group companies	601,171,001	215,939,189
<b>Net cashflow from investments</b>	<b>315,036,085</b>	<b>-284,752,512</b>
<u>Cashflow from financing</u>		
Loan from group companies	-37,873,000	335,326,600
Proceeds from liabilities to financial institutions	103,952,000	547,366,000
Repayment of liabilities to financial institutions	-685,382,500	-
Dividend paid-out	-143,270,300	-812,094,750
<b>Net cashflow from financing</b>	<b>-762,573,800</b>	<b>70,597,850</b>
<b>Net cashflow for the year</b>	<b>17,011,830</b>	<b>74,170,156</b>
+ Bank deposits per 01.01.	80,885,845	6,715,689
<b>= Bank deposits per 31.12.</b>	<b>97,897,675</b>	<b>80,885,845</b>



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## KNOT Shuttle Tankers AS Notes to the Financial Statement 31.12.2023

### Accounting Principles

The financial statement is prepared in accordance with the Norwegian Accounting Act and generally accepted accounting standards for small companies.

### Transactions in Foreign Currency

Transactions in foreign currency is recorded at the rate of exchange on the day the transaction is carried out. Assets and liabilities in foreign currencies, that are not used for hedging purposes, are valued at the exchange rate on the date of the balance. Time charter hire in foreign currency for a calendar month is recorded at the rate of exchange on the first day with contract revenue of the month.

### Related party transactions

The Company has undertaken several agreements and transactions with group companies and/or related parties. The level of fees are based on market terms and are in accordance with the arm's length principle. Ship management fee includes services like technical management, crewing management, IT and energy management.

## 1 Employees and remuneration

The company has no employees and thereby no pension liabilities (under the new OTP regulation). KNOT Management AS manages the Company in accordance with a separate management agreement.

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.

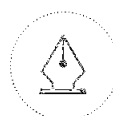
Auditors remuneration (excl. VAT):

	2023	2022
Audit	23,480	23,502
Other services besides audit	0	0
	<u>23,480</u>	<u>23,502</u>

## 2 Financial Income and -Expenses

	2023	2022
<b>Financial income:</b>		
Dividend from subsidiaries	862,927,589	211,709,426
Reversal Write-down subsidiaries	0	63,333,657
Other interest income	2,180,758	744,948
Guarantee income group	45,672,054	42,550,443
Total financial income	<u>910,780,402</u>	<u>318,338,474</u>

	2023	2022
<b>Financial expenses:</b>		
Interest expenses	56,260,981	30,261,753
Other financial expenses	892,089	85,445
Interest expenses group	47,796,611	21,892,882
Total financial expenses	<u>104,949,681</u>	<u>52,240,080</u>



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### 3 Tax

The company qualify for and have elected to be taxed based on the Norwegian tonnage tax regime.

In the tonnage tax regime, the company pay no tax on qualifying operational result and part of the net financial related to the ownership of the vessel, but pay an annual tax set annually by the parliament related to the tonnage owned by the company. The limited part of the profit that is taxable are taxed under the standard Norwegian company tax that for the accounting period is 22%. Tonnage taxed companies will also have to pay a calculated tax on the equity if the equity exceed 70% of total capital.

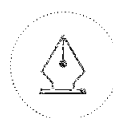
#### **Entrance tax (from merger with KNOT Shuttle Tankers 12 AS in 2023)**

	<b>2023</b>
Opening balance gain/loss account	6,471,224
Short-term tax payable basis (20%)	1,294,245
Long-term tax payable basis (80%)	5,176,979
Incoming balance long-term tax payable	1,423,668
Tax payable short-term in balance sheet	284,734
Tax payable long-term in balance sheet	1,138,934
<b>Tax costs calculated</b>	<b>0</b>

#### **Specification on the temporary differences:**

	<b>2023/12/31</b>	<b>Change</b>	<b>2022/12/31</b>
Loss carried forward	-201,925,441	-201,925,441	0
USD debt	0	-11,716,633	11,716,633
Temporary differences	-201,925,441	-213,642,074	11,716,633
Calculated deferred tax	-44,423,596	-47,001,255	2,577,659
Deferred tax	44,423,596		0

<b>Tax cost</b>	<b>2023</b>	<b>2022</b>
Financial Results	743,915,460	208,319,653
Received dividend	-840,866,888	-211,709,426
Write-down/reversal subsidiaries	0	-63,333,657
Part of taxable income in the underlying KS	-76,371,783	0
Non-deductible interest / taxable interest	92,812,513	46,150,306
Foreign exchange gain/loss, not taxable	49,965,276	58,291,643
<b>Tax base prior losses carried forward</b>	<b>-30,545,422</b>	<b>37,718,519</b>
Loss carried forward from merger	-171,380,019	0
Wrongly booked deferred tax last year	-11,716,633	0
Changes in temporary differences	213,642,074	-8,616,238
<b>Base for tax payable</b>	<b>0</b>	<b>29,102,280</b>
Tax payable	0	6,402,502
Difference in tax paid and tax calculated last year	439	9
Change deferred tax	47,001,255	2,577,659
<b>Tax costs calculated</b>	<b>47,001,694</b>	<b>8,980,170</b>
Tonnage tax expenses under operating expenses	136,953	0



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## 4 Investments in subsidiaries

Interests in subsidiaries are presented by the cost method. As a result, the company's share of income is not included in the Profit and Loss Account.

### Shares in subsidiaries

Investments	Year - purchased	Owner- and voting share	Equity 31.12 NOK.	Last years result NOK	Book value
Knutsen Shuttle Tankers XII AS	2013	100%	836,152,245	48,214,323	786,831,217
KNOT Shuttle Tankers 17 AS	2013	100%	253,673,057	-27,762,428	368,338,866
Knutsen Shuttle Tankers 13 AS	2013	100%	92,370,965	58,293,079	19,195,355
KNOT Shuttle Tankers 18 AS	2013	100%	181,548,593	60,387,721	261,915,191
KNOT Shuttle Tankers 20 AS	2014	100%	343,793,274	1,283,109	292,488,730
Knutsen Shuttle Tankers 14 AS	2014	100%	148,486,444	-83,336,900	207,384,642
Knutsen Shuttle Tankers 15 AS	2014	100%	103,496,892	-28,197,578	106,049,264
KNOT Shuttle Tankers 21 AS	2015	100%	283,069,584	36,244,906	215,692,305
Knutsen NYK Shuttle Tankers 16 AS	2015	100%	127,399,350	36,948,243	44,653,941
Knutsen Shuttle Tankers 19 AS	2016	100%	74,825,979	72,038,226	38,230,067
KNOT Shuttle Tankers 24 AS	2017	100%	294,750,531	36,417,583	279,176,626
KNOT Shuttle Tankers 25 AS	2017	100%	291,764,630	30,927,182	261,848,755
KNOT Shuttle Tankers 26 AS	2017	100%	312,142,514	45,486,002	287,047,869
KNOT Shuttle Tankers 32 AS	2017	100%	205,417,923	21,803,056	179,232,493
KNOT Shuttle Tankers 30 AS	2018	100%	274,395,995	47,082,956	230,400,246
KNOT Shuttle Tankers 34 AS	2020	100%	209,879,602	33,387,117	193,831,907
KNOT Shuttle Tankers 35 AS	2022	100%	140,029,312	42,646,543	306,106,641

Net book value subsidiaries in KNOT Shuttle Tankers AS 4,078,424,114

## 5 Bank deposits

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

## 6 Equity

Specification of the equity per 31.12.

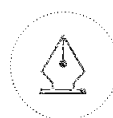
	Share capital	Share premium	Other equity	Total equity
Equity 1.1	606,000,000	1,696,082,680	198,445,270	2,500,527,950
Merger with subsidiary	0	0	23,986,387	23,986,387
Result of the year	0	0	789,751,852	789,751,852
Paid-out dividend	0	0	-143,270,300	-143,270,300
Equity 31.12.	<u>606,000,000</u>	<u>1,696,082,680</u>	<u>868,913,209</u>	<u>3,170,995,889</u>

Share capital consist of 3 000 shares à NOK 202 000, all the shares is owned by KNOT Offshore Partners UK LLC.

KNOT Shuttle Tankers AS is controlled 100% by KNOT Offshore Partners LP. Accounting for the Group can be obtained from the website, <http://knotoffshorepartners.com/>.

## 7 Shares Owned by Board Members and Affiliates

Trygve Seglem controls TS Shipping Invest AS, which owns 50 % of the company Knutsen NYK Offshore Tankers AS, which controls 30,47% of KNOT Offshore Partners LP.



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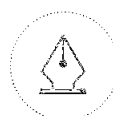




## 9 Balances with related parties

		<u>2023</u>	<u>2022</u>
<u>Accounts payable</u>			
KNOT Management AS		374,511	301,338
		374,511	301,338
		<u>2023</u>	<u>2022</u>
<u>Long-term debt group</u>			
Knutsen Shuttle Tankers 15 AS	USD	30,400,000	32,000,000
Knutsen Shuttle Tankers 19 AS	USD	14,370,000	16,400,000
		44,770,000	48,400,000

Knutsen Shuttle Tankers 19 AS has lent out USD 16.4 million of the proceeds from the sale-lease back transaction to the owner, KNOT Shuttle Tankers AS. Knutsen Shuttle Tankers 15 AS has lent out USD 32 million of the proceeds from the sale-lease back transaction to the owner, KNOT Shuttle Tankers AS. The intergroup loan shall be repaid with annual instalments of USD 1.600.000 and the outstanding amount will be payable as one instalment on the final maturity date, 1 December 2029. The rate of interest during its term shall be the rate per annum determined by the lender to be the aggregate of 12 month SOFR and margin of 5.5513 per cent for the Knutsen Shuttle Tankers 19 AS loan and 5.5513 per cent for the Knutsen Shuttle Tankers 15 AS loan. The loan is booked at the exchange rate at the balance sheet date.



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Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers AS

### Opinion

We have audited the financial statements of KNOT Shuttle Tankers AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and 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.

### 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 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) 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 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 there is a material misstatement of this other information or that the information required by legal requirements is not included, 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 contains the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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, 13 March 2024  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Johan Lid Nordby  
State Authorised Public Accountant (Norway)

Independent auditor's report - KNOT Shuttle Tankers AS 2023

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## Johan Lid Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

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