



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 918 447 954
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 32 AS
Forretningsadresse: Smedasundet 40
5529 HAUGESUND

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 10.03.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 28.03.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Freight income	2	141 945 899	151 317 158
Sum inntekter		141 945 899	151 317 158
Kostnader			
Crew-hire	12	22 309 874	22 663 471
Ordinary depreciation	4	37 256 624	39 230 148
Other operating expenses		18 277 877	19 350 401
Administration	8	6 234 222	6 304 254
Sum kostnader		84 078 597	87 548 273
Driftsresultat		57 867 302	63 768 885
Finansinntekter og finanskostnader			
Financial income	6	75 757	9 311
Foreign exchange gain/loss		2 834 977	336 569
Sum finansinntekter		2 910 734	345 880
Financial expenses	6	21 872 211	25 244 563
Sum finanskostnader		21 872 211	25 244 563
Netto finans		-18 961 477	-24 898 682
Ordinært resultat før skattekostnad		38 905 825	38 870 202
Taxes	11		
Ordinært resultat etter skattekostnad		38 905 825	38 870 202
Årsresultat		38 905 825	38 870 202
Årsresultat etter minoritetsinteresser		38 905 825	38 870 202
Totalresultat		38 905 825	38 870 202



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	4	582 484 108	619 655 814
Accrued income	2	3 074 581	9 724 223
Sum varige driftsmidler		585 558 689	629 380 037
Sum anleggsmidler		585 558 689	629 380 037
Omløpsmidler			
Varer			
Inventories	13	1 585 541	1 329 570
Sum varer		1 585 541	1 329 570
Fordringer			
Receivables	7	2 396 535	1 554 726
Konsernfordringer		2	
Sum fordringer		2 396 538	1 554 726
Bankinnskudd, kontanter og lignende			
Bank deposits	3	49 329 666	23 313 969
Sum bankinnskudd, kontanter og lignende		49 329 666	23 313 969
Sum omløpsmidler		53 311 745	26 198 265
SUM EIENDELER		638 870 433	655 578 302
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	9, 10	100 000	100 000
Overkurs		14 430	14 430



Balanse

Beløp i: NOK	Note	2021	2020
Annen innskutt egenkapital		109 216 388	177 822 850
Sum innskutt egenkapital		109 330 818	177 937 280
Opptjent egenkapital			
Other equity		38 905 825	40 641 688
Sum opptjent egenkapital		38 905 825	40 641 688
Sum egenkapital	9	148 236 644	218 578 968
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5	437 929 448	423 592 140
Sum annen langsiktig gjeld		437 929 448	423 592 140
Sum langsiktig gjeld		437 929 448	423 592 140
Kortsiktig gjeld			
Leverandørgjeld	7	2 540 571	5 869 930
Utbytte		26 318 100	
Kortsiktig konserngjeld		7 904 731	2 728 211
Accrued interest		1 390 155	3 351 049
Other financial instruments	5		
Other current liabilities		14 550 784	1 458 004
Sum kortsiktig gjeld		52 704 342	13 407 194
Sum gjeld		490 633 790	436 999 334
SUM EGENKAPITAL OG GJELD		638 870 433	655 578 302



Skattedirektoratet

Knutson Dals Shipping		Saksbehandler	Deres dato	Vår dato
22. FEB 2018		Torstein Kinden Helleland	30.01.2018	20.02.2018
Åpen <input type="checkbox"/>	Fertrlig <input type="checkbox"/>	Telefon	Deres referanse	Vår referanse
Saksbeh	Kopi	22078139	Peter Myklebust Opsal	2018/336915

TS SHIPPING INVEST 2 AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 30. januar 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

KNOT Shuttle Tankers 32 AS	org.nr. 918 447 954
Norspan LNG XIII AS	org.nr. 919 981 245

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskap dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Skattedirektoratet innvilget dispensasjon fra kravet om å utarbeide årsregnskap og -beretning på norsk språk til TS Shipping Invest AS med datterselskaper. Konsernet ønsker nå å søke om samme dispensasjon for ytterligere et antall selskap som inngår i konsernet. Alle selskapene inngår i konsernregnskapet til TS Shipping Invest AS. Selskapene det søkes om dispensasjon for er enten eid 100 % av TS Shipping Invest AS, eller 50 % av TS Shipping Invest AS og 50 % av det nederlandske selskapet NYK Logistics Holding (Europe) B.V. Alle selskapene i konsernet er norske selskaper som driver virksomhet innen internasjonal shipping. Selskapene og konsernet har engelsk som arbeidsspråk inklusive datterselskaper.

Skattedirektoratets vurdering og konklusjon

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse: Sentralbord
Se www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



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

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

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

De samme fakta og argument for dispensasjon foreligger i denne søknaden som ble vurdert ved innvilgelse av dispensasjon for konsernspissen og enkelte søsterselskap. Selskapenes aktivitet er knyttet til en internasjonal bransje hvor engelsk språk benyttes både internt i selskapene samt mot aksjonærer, og i kommunikasjon med eksterne forretningspartnere. Videre er eierkretsen begrenset.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Jeanette Munkvold Skovholt
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



KNOT Shuttle Tankers 32 AS Annual Report 2021



M/T "Brasil Knutsen"

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 32 AS

REPORT OF THE BOARD OF DIRECTORS 2021

KNOT Shuttle Tankers 32 AS owns one 154,000 DWT Suez-max shuttle tanker, M/T Brasil Knutsen, delivered from Samsung Heavy Industries in South Korea in 2013.

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

The company's activity

M/T Brasil Knutsen have been chartered to Galp Sinopec Brazil Services B.V., for international trade with offshore loading in Brazil from 2017. The long-term time charter the vessel is operating on have a fixed period until September 20, 2022 with charters option to extend two times for three years.

Result for the year

The operating result for KNOT Shuttle Tankers 32 AS was NOK 57 867 302 in 2021 compared to NOK 63 768 885 in 2020. After net financial loss of NOK 18 961 477 in 2021, against a loss of NOK 24 898 682 in 2020, the result for the year were NOK 38 905 825 in 2021 compared to NOK 38 870 202 in 2020.

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

Total cash flow from operating activities in the company was NOK 98 302 636, NOK 81 959 683 in 2020. The liquidity position was NOK 49 329 666 as per 31.12.2021 compared to NOK 23 313 969 as per 31.12.2020. The company's ability to finance its investments is good. The company joined a refinancing of several of the groups vessel in 2021 in a new long term financing with outstanding mortgage loan at the end of 2021 USD 52 758 763, USD 50 997 184 at the end of 2020.

The company's short-term debt per 31.12.2021 was 10.7 % of total debt (3.1 % in 2020).

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since the majority of the company's operating expenses and financial costs also are denominated in USD, this limits the company's foreign exchange risk. The company has entered into forward exchange rate contracts in order to reduce the company's foreign exchange risk, and thereby operating related market risk.

The company is also exposed to changes in the interest rate level, as its long term debt carrying floating interest rate. The company has entered into two interest rate swap agreement in the total amount of USD 50 million.

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



The environment safety and quality control

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

The company is not aware of any significant pollution to the external environment, and the Board of Directors considers the working conditions onboard the ships as satisfactory. All the vessels are certified in accordance with both ISM code and the ISPS code.

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

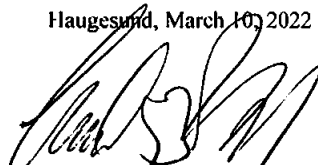
Future prospects

M/T Brasil Knutsen is operated on a long-term charter with Galp Sinopec Brazil Services B.V. The charterer and trading area are well known for the manager and the Board of Directors. The Board of Directors expect that 2022 will be a stable profitable year for the company.

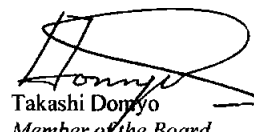


Trygve Seglem
Chairman of the Board

Haugesund, March 10, 2022



Karl Gerhard Bråstein Dahl
Member of the Board



Takashi Domyo
Member of the Board



KNOT Shuttle Tankers 32 AS

Profit & Loss Account

	Note	2021	2020
<u>Operating Income</u>			
Freight income	2	141 945 899	151 317 158
<i>Total Operating income</i>		<u>141 945 899</u>	<u>151 317 158</u>
<u>Operating Expenses</u>			
Crew-hire	12	22 309 874	22 663 471
Other operating expenses		18 277 877	19 350 401
Administration	8	6 234 222	6 304 254
<i>Total Operating Expenses</i>		<u>46 821 973</u>	<u>48 318 125</u>
Ordinary depreciation	4	37 256 624	39 230 148
<i>Operating Result</i>		<u>57 867 302</u>	<u>63 768 885</u>
<u>Financial Income and Expenses</u>			
Financial income	6	75 757	9 311
Foreign exchange gain/loss		2 834 977	336 569
Financial expenses	6	-21 872 211	-25 244 563
<i>Net Financial Items</i>		<u>-18 961 477</u>	<u>-24 898 682</u>
<i>Result before taxes</i>		<u>38 905 825</u>	<u>38 870 202</u>
Taxes	11	0	0
<i>Result for the year</i>		<u>38 905 825</u>	<u>38 870 202</u>




KNOT Shuttle Tankers 32 AS
Balance Sheet as of 31. December

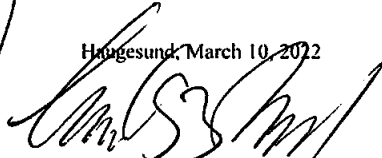
	Note	2021	2020
<u>Assets</u>			
<u>Fixed assets</u>			
Vessel	4	582 484 108	619 655 814
Accrued income	2	3 074 581	9 724 223
<i>Total Fixed Assets</i>		<u>585 558 689</u>	<u>629 380 037</u>
<u>Current Assets</u>			
Inventories	13	1 585 541	1 329 570
Receivables	7	2 396 535	1 554 726
Current receivables group		2	0
Bank deposits	3	49 329 666	23 313 969
<i>Total Current Assets</i>		<u>53 311 745</u>	<u>26 198 265</u>
<i>TOTAL ASSETS</i>		<u>638 870 433</u>	<u>655 578 302</u>




KNOT Shuttle Tankers 32 AS
Balance Sheet as of 31. December

	Note	2021	2020
<u>Shareholders Equity and Liabilities</u>			
<u>Equity</u>			
Share capital	9, 10	100 000	100 000
Share premium		14 430	14 430
Other paid-in equity		109 216 388	177 822 850
<i>Total capital paid-in</i>		109 330 818	177 937 280
Other equity		38 905 825	40 641 688
<i>Total Shareholders' Equity</i>	9	148 236 644	218 578 968
<u>Long-Term Liabilities</u>			
Liabilities to financial institutions	5	437 929 448	423 592 140
<i>Total Long-Term Liabilities</i>		437 929 448	423 592 140
<u>Current Liabilities</u>			
Accounts payable	7	2 540 571	5 869 930
Accrued interest		1 390 155	3 351 049
Current liabilities group		7 904 731	2 728 211
Dividends		26 318 100	0
Other current liabilities		14 550 784	1 458 004
<i>Total Current Liabilities</i>		52 704 342	13 407 194
<i>Total liabilities</i>		490 633 790	436 999 334
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		638 870 433	655 578 302


Trygve Seglen
chairman of the board

Haugesund, March 10, 2022

Karl Gerhard Bråstein Dahl
member of the board


Takashi Domyo
member of the board



KNOT SHUTTLE TANKERS 32 AS

CASHFLOW STATEMENT

	2021	2020
Total generated from operations 1)	86 421 365	94 035 698
Change in working capital	<u>11 881 271</u>	<u>-12 076 015</u>
Net cashflow from operations	<u>98 302 636</u>	<u>81 959 683</u>
Net invested in vessel	<u>-84 918</u>	<u>0</u>
Net cashflow from investments	<u>-84 918</u>	<u>0</u>
Capitalized debt issuance costs	-5 054 128	0
Dividend paid-out	-82 930 050	-32 803 270
Proceeds from long term-debt	453 148 279	0
Repayment of long-term debt	<u>-437 366 122</u>	<u>-59 861 433</u>
Net cashflow from financing	<u>-72 202 021</u>	<u>-92 664 703</u>
Net cashflow for the year	26 015 698	-10 705 020
+ Cash balance per 01.01.	<u>23 313 969</u>	<u>34 018 988</u>
= Cash Balance per 31.12.	<u>49 329 666</u>	<u>23 313 969</u>

1) Generated from operations:

Result for the year	38 905 825	38 870 202
+Realized profit/loss on foreign exchange mortgage debt	1 483 381	7 324 166
+Accrued income	6 649 642	7 308 989
+Ordinary depreciation	37 256 624	39 230 148
+Amortized debt issuance cost	<u>2 125 894</u>	<u>1 302 192</u>
= Total generated from operations	<u>86 421 365</u>	<u>94 035 698</u>



KNOT SHUTTLE TANKERS 32 AS

Notes to the Financial Statement 31.12.2021

1 Accounting Principles

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

Income

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

Inventories

Inventories are valued according to the net realisable value principle.

Fixed Assets and Dry-Docking

The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated net sales price at the end of estimated economic life. Normal economic life of shuttle tankers is estimated to 23 years from delivery as newbuilding. We use extended life or reduced life if there are commercial or technical indications that the 23 year profile for that specific entity is not correct, i.e. fixed charter contracts above 23 year age, commercial restrictions or technical conditions or requirements. Equipment or part of the vessels with a material cost or specific use that have another estimated life is evaluated separately.

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

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

Transactions in Foreign Currency

Income and expenditure in foreign currency are converted with the exchange rate at the time of the transaction.

We use hedge accounting for long term debt in foreign currencies. The expected net future nominal cash-flow in the same currency from chartering out vessel is the hedging instruments. The realized foreign exchange gain and -losses are booked together with the hedging instrument. We book realized- and unrealized foreign exchange gain/-loss for any uneffective part of the debt in foreign currencies over financial items.



Interest-bearing loan and borrowings

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

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

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

Financial Instruments

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

Tax

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

Tonnage tax is classified as an operating expense in the profit and loss statement.

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

Cash flow statement

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

Related party transactions

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



2 Contracts

The company has secured employment of the vessel with a 5 year fix time charter contract with 3+3 years options to Galp Sinopec from delivery to the charterer in November 2017. Accrued income is related to income from charter party due to recording on a straight line basis.

KNOT Management AS operates as a manager on behalf of the company and the vessel in accordance with management agreement.

3 Bank deposits

The company doesn't have locked-up bank funds per 31.12.

4 Fixed Assets

<u>Vessel</u>	<u>2021</u>	<u>2020</u>
Historical value 1.1.	732 341 359	732 341 359
Accumulated depreciation 1.1.	122 524 603	87 511 195
Book value 1.1.	609 816 756	644 830 164
Annual depreciation	33 011 646	35 013 408
Book value 31.12.	576 805 110	609 816 756

The economic life of the vessels is estimated to 23 years, and is depreciated accordingly.

<u>Dry-docking</u>	<u>2021</u>	<u>2020</u>
Capitalised dry-docking	21 174 609	21 174 609
Accumulated depreciation dry-docking 1.1.	11 335 551	7 118 811
Capitalised dry-docking 1.1.	9 839 058	14 055 798
Additions/Disposals	84 918	0
Annual depreciation	4 244 978	4 216 740
Book value 31.12.	5 678 998	9 839 058
Total book value vessel 31.12.	582 484 108	619 655 814

The company changed in third quarter 2021 the useful life estimate for M/T Brasil Knutsen from 25 years to 23 years due to prevailing longer-term market trends. The company updated at the same time the estimated net sales price at the end of estimated life from NOK 0 at 25 years to estimated net sales price at end of the new estimated end of life.

5 Mortgage Debt and Financial Instruments

<u>31-12-21</u>	<u>USD</u>	<u>Historical rate</u>	<u>Rate as at 31.12.</u>	<u>NOK</u>
USD-loan	52 758 763	8,6589	8,3892	442 601 769
Deferred debt issuance				-4 672 321
				<u>437 929 448</u>
Current portion:				
USD-loan	5 028 636			42 186 038
Deferred debt issuance				-1 182 720
				<u>41 003 318</u>



<u>31-12-20</u>	USD	Historical rate	Rate as at 31.12.	NOK
USD-loan	50 997 184	8,3404	8,3404	425 336 232
Deferred debt issuance				<u>-1 744 092</u>
				<u>423 592 140</u>
Current portion:				
USD-loan	6 284 104			52 411 857
Deferred debt issuance				<u>-1 185 218</u>
				<u>51 226 639</u>

The USD/NOK exchange rate at the year-end was 8,8363 (8,5375 last year).

The estimated outstanding debt per 2026 is USD 28 million.

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

Future income flows from anticipated fixed contracts in USD exceed debt in USD. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate. Per 31.12.2021 the not recorded foreign exchange loss (i.e. off-balance) is NOK 24 million (loss of NOK 10 million in 2020).

Security for the loan is made through a first priority mortgage in the vessels, assignment of earnings, assignment of insurances, bank accounts, factoring agreement, pledged shares in the company, guarantees from the owner, and undertakings from the manager.

The company has aimed to reduce the market risk by entering financial contracts. The company has entered long term freight contracts in USD, with the intention of having income, vessel investment and loans in the same currency in order to minimize the effects of exchange rate fluctuations. The company has also entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. The company has entered agreements on fixed rates on USD 50 million. Mark to market loss on interest swaps have not been taken into account with USD 0.6 million (loss of USD 2.5 million in 2020).

Book value of mortgaged assets is NOK 639 million (NOK 656 million last year).

6 Financial Income and -Expenses

	<u>2021</u>	<u>2020</u>
Financial Income:		
Dividend	72 994	0
Other interest income	<u>2 762</u>	<u>9 311</u>
Total financial income	<u>75 757</u>	<u>9 311</u>
Financial expenses:		
Interest expenses	19 422 853	22 546 970
Guarantee cost to related parties	2 080 346	2 434 559
Other financial expenses	<u>369 011</u>	<u>263 034</u>
Total financial expenses	<u>21 872 211</u>	<u>25 244 563</u>



7 Balances with related parties

	<u>2021</u>	<u>2020</u>
<u>Receivables</u>		
KNOT Management AS	64	62
KNOT Shuttle Tankers 35 AS	20 719	20 708
Knutsen Shuttle Tankers 3 AS	0	1 264
Knutsen OAS Shipping AS	646 391	0
	<u>667 174</u>	<u>22 034</u>
<u>Accounts payable</u>		
Knutsen OAS Shipping AS	179 537	1 517 044
Knutsen Produkt Tanker XII AS	1 264	1 264
Knutsen OAS Crewing AS	68 191	58 556
KNOT Management AS	229 791	3 203 154
	<u>478 783</u>	<u>4 780 018</u>

8 Remuneration

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

Auditors remuneration (excl. VAT):	<u>2021</u>	<u>2020</u>
Audit	18 819	37 638
Tax advice	0	0
Other services besides audit	0	0
	<u>18 819</u>	<u>37 638</u>

9 Equity

Specification of the equity per 31.12.

	<u>Share capital</u>	<u>Share premium</u>	<u>Additional paid-in capital</u>	<u>Other equity</u>	<u>Total equity</u>
Equity 01.01.	100 000	14 430	177 822 850	40 641 688	218 578 968
Extraordinary dividend paid-out	0	0	-42 288 362	-40 641 688	-82 930 050
Paid-out dividend 2022	0	0	-26 318 100	0	-26 318 100
Result for the year	0	0	0	38 905 825	38 905 825
Equity 31.12.	<u>100 000</u>	<u>14 430</u>	<u>109 216 388</u>	<u>38 905 825</u>	<u>148 236 644</u>

Share capital consist of 1,000 shares à NOK 100, all held by KNOT Shuttle Tankers AS.

The company is controlled 100% by KNOT Offshore Partners LP. Accounting for the Group can be obtained from the webside, <http://knotoffshorepartners.com/>.

10 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.



11 Tax

The company is taxed based on the shipping tax regime. This means that companies are not taxed on the basis of its operating income. However it is calculated an annual tax of 22% on the company's net financial income. At the same time companies within the tonnage tax scheme will have to pay a tonnage tax based on the size of the company's operated vessels, which amounted to NOK 158 091 (NOK 158 091 last year). Tonnage tax is classified as an operating expense.

Below is a specification of the temporary differences at the end of the financial year.

	<u>31.12.2021</u>	<u>Change</u>	<u>31.12.2020</u>
Loss carried forward	-30 614 412	-10 792 919	-19 821 493
Basis for deferred tax (benefit)	-30 614 412	-10 792 919	-19 821 493
Deferred tax (benefit)	0	0	0

Deferred tax assets related to losses carried forward are only recognized to the extent that there is convincing evidence that these will be utilized in the future.

Taxable result tonnage tax scheme:

	<u>2021</u>	<u>2020</u>
Net financial Items	-18 961 477	-24 898 682
Non-taxable currency gain	-3 852 704	-787 683
Non-deductable interest	12 092 067	17 638 997
Deductable financial items	-70 805	-4
Taxable income before loss carried forward	-10 792 919	-8 047 372
Loss carried forward	-10 792 919	-8 047 372
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

12 Employees

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from related parties.

13 Inventories

Inventories refer to lube oil and stores as per 31.12.



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Shareholders' Meeting of KNOT Shuttle Tankers 32 AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 32 AS (the company) which comprise the balance sheet as at December 31, 2021, the statement of income and 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 statutory requirements, and
- the financial statements present fairly in all material respects the financial position of the Company as at December 31, 2021 and (of) its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International 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 information in the Board of Directors' report and for the other information presented with the financial statements. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the other information presented with the financial statements and the financial statements or our knowledge obtained in the audit, or the information in the Board of Directors' report and for the other information presented with the financial statements otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management for the Financial Statements

The management is responsible for the preparation of 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.



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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 insofar as it is not likely that the enterprise will cease operations.

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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 10 March 2022
Ernst & Young AS

Johan Lid Nordby
State Authorised Public Accountant
(This document is signed electronically)

Independent auditor's report - Knot Shuttle Tankers 32 AS

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"By my signature I confirm all dates and content in this document."

Johan Nordby

Statsautorisert revisor

On behalf of: Ernst & Young AS

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