



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 998 942 969
Organisasjonsform: Aksjeselskap
Foretaksnavn: KNOT SHUTTLE TANKERS 17 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			
Operating income		65 969 209	163 692 389
Other income		842 370	209 458
Contract amortization	3		
Sum inntekter		66 811 579	163 901 847
Kostnader			
Crew-hire	13	25 526 031	27 164 690
Ordinary depreciation	3	47 706 028	43 289 570
Ordinary depreciation - dry docking	3		
Other operating expenses		26 096 372	16 996 315
Administration	6	6 569 048	6 147 545
Sum kostnader		105 897 479	93 598 120
Driftsresultat		-39 085 899	70 303 726
Finansinntekter og finanskostnader			
Financial income	4	374 652	4 481 022
Foreign exchange gain/loss		-657 035	-1 063 742
Sum finansinntekter		-282 383	3 417 279
Financial expenses	4	12 531 640	17 790 018
Sum finanskostnader		12 531 640	17 790 018
Netto finans		-12 814 023	-14 372 739
Ordinært resultat før skattekostnad		-51 899 922	55 930 987
Taxes	11		
Ordinært resultat etter skattekostnad		-51 899 922	55 930 987
Årsresultat		-51 899 922	55 930 987
Årsresultat etter minoritetsinteresser		-51 899 922	55 930 987
Totalresultat		-51 899 922	55 930 987



Resultatregnskap

Beløp i: NOK	Note	2021	2020
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Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Concessions, patents, licences, trademarks, and similar rights	3		
Contracts	3		
Varige driftsmidler			
Vessel	3	690 483 065	588 128 045
Dry-docking	3		
Sum varige driftsmidler		690 483 065	588 128 045
Sum anleggsmidler		690 483 065	588 128 045
Omløpsmidler			
Varer			
Inventories	12	2 446 206	1 234 224
Sum varer		2 446 206	1 234 224
Fordringer			
Receivables	7	7 862 119	15 220 353
Konsernfordringer		872 996	1 466 529
Sum fordringer		8 735 115	16 686 882
Other financial instruments	10		
Bankinnskudd, kontanter og lignende			
Bank deposits		13 871 011	35 818 144
Sum bankinnskudd, kontanter og lignende		13 871 011	35 818 144
Sum omløpsmidler		25 052 332	53 739 250
SUM EIENDELER		715 535 397	641 867 294

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: NOK	Note	2021	2020
Innskutt egenkapital			
Share capital	5, 9	132 000	132 000
Overkurs		103 175 845	103 175 845
Annen innskutt egenkapital		325 289 172	182 830 822
Sum innskutt egenkapital		428 597 017	286 138 667
Opptjent egenkapital			
Other equity		26 829 373	78 729 296
Sum opptjent egenkapital		26 829 373	78 729 296
Sum egenkapital	5	455 426 390	364 867 963
Gjeld			
Langsiktig gjeld			
Deferred income		22 541 419	
Sum avsetninger for forpliktelser		22 541 419	
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	222 604 082	255 331 756
Sum annen langsiktig gjeld		222 604 082	255 331 756
Sum langsiktig gjeld		245 145 501	255 331 756
Kortsiktig gjeld			
Leverandørgjeld	7	6 659 808	3 795 172
Kortsiktig konserngjeld			540 534
Accrued interest		613 881	555 074
Other financial instruments	10		
Other current liabilities		7 689 816	16 776 795
Sum kortsiktig gjeld		14 963 505	21 667 576
Sum gjeld		260 109 007	276 999 332
SUM EGENKAPITAL OG GJELD		715 535 397	641 867 294



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;

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

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 www.skatteetaten.no	Besøksadresse: Se www.skatteetaten.no 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



KNOT Shuttle Tankers 17 AS Annual Report 2021



M/T "Bodil Knutsen"

KNOT
Offshore Partners LP



KNOT SHUTTLE TANKERS 17 AS

REPORT OF THE BOARD OF DIRECTORS 2021

KNOT Shuttle Tankers 17 AS owns and operates M/T Bodil Knutsen a 157 644-dwt shuttle tanker delivered from Daewoo shipyard at Busan South Korea in 2011.

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

The company's activities

The vessel operates on a 90-days' time-charter agreement with three 30-days optional period to be mutually agreed between the charterers Knutsen Shuttle Tankers Pool AS and the company. The time-charter contract started on 7 December 2021.

The Company has secured agreements with Equinor Energy AS, A/S Norske Shell, Aker BP ASA and Vår Energi AS (hereinafter referred to as "VOCIC") representing the VOC Industry Co-operation to take over ownership of-, retrofit, integration, operations and maintenance of one NMVOC Recovery System (VRU), on board M/T Bodil Knutsen to be used when the vessel is operating on the Norwegian Continental Shelf. The installation was done in 4th quarter 2021 and the offshore commissioning and testing was under process at the end of the year to be ready for operation in 2022.

Result for the year

The company got a total operating income of NOK 66 811 579 in 2021 (NOK 163 901 847 in 2020). The operating result for KNOT Shuttle Tankers 17 AS was minus NOK 39 085 899 in 2021 compared to NOK 70 303 726 in 2020. After net financial loss of NOK 12 814 023 in 2021, against a loss of NOK 14 372 739 in 2020, the loss of the year was NOK 51 899 922 in 2021 compared to NOK 55 930 987 in 2020.

The Board of Directors propose to cover the loss for the year by other equity.

Total cash flow from operational activities was NOK 11 561 816 in 2021, compared to NOK 128 166 882 in 2020. The liquidity position was NOK 13 871 011 as per 31.12.2021 compared to NOK 35 818 144 as per 31.12.2020. The company's ability to finance its investments is good.



The company's short-term debt was 5.8 % of total debt as of 31.12.2021, compared to 7.8 % as of 31.12.2020.

Total capital was by the end of the year NOK 715 535 397, compared to NOK 641 867 294 the year before. The equity-share as of 31.12.2021 was 64 %, compared to 57 % per 31.12.2020.

The company is exposed to fluctuations in foreign exchange rates, especially USD, as the company's income is denominated in USD. Since most the company's operating expenses and financial costs also are denominated in USD, this limits the company's foreign exchange risk. The company has not entered into forward 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 one interest rate swap agreement in the amount of USD 25 million to reduce the company's interest rate risk.

The financial accounts are made on the assumption of a going concern. The Board of Directors confirms the conditions for continued operation. The Board of the Directors is of the opinion that the financial statements give a true and fair reflection of the company's assets and liabilities as well as financial strength and profitability.

Environment, safety and quality control

Shipping is being subjected to ever-stricter environment and safety requirements, and the company, the group and KNOT Management AS, as manager, have joint objectives concerning high quality of the operation of the vessels.

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.

Prospects

Based on that the performance of M/T Bodil Knutsen on the current charterparty, the completed 10-year special survey and class renewal, ballast water treatment system installation and VOC recovery plant installation in 2021 and the secured charterparty



with Equinor from 4th quarter 2023 backed up with the agreements with VOCIC, the Board of Directors expect the outlook for securing a fixed time charter contract for the M/T Bodil Knutsen for operation in North Europe commencing after the current charterparty to be good. The board has every reason to believe that the 2022 will be a satisfactory year for the company.


Haugesund, March 10, 2022



Trygve Seglem
Chairman of the Board



Karl Gerhard Bråstein Dahl
Member of the Board



Takashi Donryo
Member of the Board



KNOT Shuttle Tankers 17 AS

Profit & Loss Account

	Note	2021	2020
<u>Operating Income</u>			
Operating income		65 969 209	163 692 389
Other income		842 370	209 458
<i>Total Operating income</i>		<u>66 811 579</u>	<u>163 901 847</u>
<u>Operating Expenses</u>			
Crew-hire	13	25 526 031	27 164 690
Other operating expenses		26 096 372	16 996 315
Administration	6	6 569 048	6 147 545
<i>Total Operating Expenses</i>		<u>58 191 451</u>	<u>50 308 550</u>
Ordinary depreciation	3	47 706 028	43 289 570
<i>Operating Result</i>		<u>-39 085 899</u>	<u>70 303 726</u>
<u>Financial Income and Expenses</u>			
Financial income	4	374 652	4 481 022
Foreign exchange gain/loss		-657 035	-1 063 742
Financial expenses	4	-12 531 640	-17 790 018
<i>Net Financial Items</i>		<u>-12 814 023</u>	<u>-14 372 739</u>
<i>Result before taxes</i>		<u>-51 899 922</u>	<u>55 930 987</u>
Taxes	11	0	0
<i>Result for the year</i>		<u>-51 899 922</u>	<u>55 930 987</u>



KNOT Shuttle Tankers 17 AS
Balance Sheet as of 31. December

<u>ASSETS</u>	Note	2021	2020
<u>Non Current Assets</u>			
Vessel	3	690 483 065	588 128 045
<i>Total non Current Assets</i>		<u>690 483 065</u>	<u>588 128 045</u>
<u>Current Assets</u>			
Inventories	12	2 446 206	1 234 224
Receivables	7	7 862 119	15 220 353
Current receivables group		872 996	1 466 529
Bank deposits		13 871 011	35 818 144
<i>Total Current Assets</i>		<u>25 052 332</u>	<u>53 739 250</u>
<i>TOTAL ASSETS</i>		<u>715 535 397</u>	<u>641 867 294</u>

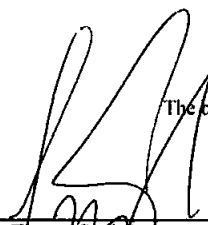


KNOT Shuttle Tankers 17 AS
Balance Sheet as of 31. December

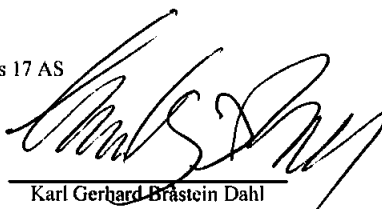
<u>Shareholders Equity and Liabilities</u>	Note	2021	2020
<u>Equity</u>			
Share capital	5, 9	132 000	132 000
Share premium		103 175 845	103 175 845
Other paid-in equity		325 289 172	182 830 822
<i>Total capital paid-in</i>		<u>428 597 017</u>	<u>286 138 667</u>
Other equity		26 829 373	78 729 296
<i>Total Shareholders' Equity</i>	5	<u>455 426 390</u>	<u>364 867 963</u>
<u>Long Term Debt</u>			
Deferred income		22 541 419	0
Liabilities to financial institutions	10	222 604 082	255 331 756
<i>Total Long Term Debt</i>		<u>245 145 501</u>	<u>255 331 756</u>
<u>Current Liabilities</u>			
Accounts payable	7	6 659 808	3 795 172
Accrued interest		613 881	555 074
Current liabilities group		0	540 534
Other current liabilities		7 689 816	16 776 795
<i>Total Current Liabilities</i>		<u>14 963 505</u>	<u>21 667 576</u>
<i>Total liabilities</i>		<u>260 109 007</u>	<u>276 999 332</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>715 535 397</u>	<u>641 867 294</u>

Haugesund, March 10, 2022

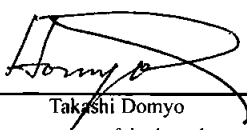
The board of KNOT Shuttle Tankers 17 AS



Trygve Sjøliem
chairman of the board



Karl Gerhard Bråstein Dahl
member of the board



Takashi Domyo
member of the board



KNOT SHUTTLE TANKERS 17 AS

CASH FLOW STATEMENT

	2021	2020
<u>Cashflow from operations</u>		
Total generated from operations 1)	11 526 102	119 711 987
Change in working capital	<u>35 714</u>	<u>8 454 895</u>
Net cashflow from operations	<u>11 561 816</u>	<u>128 166 882</u>
<u>Cashflow from investments</u>		
Additions/Disposals vessel	<u>-127 519 629</u>	<u>-427 053</u>
Net cashflow from investments	<u>-127 519 629</u>	<u>-427 053</u>
<u>Cashflow from financing</u>		
Paid installments on mortgage debt	-48 447 670	-53 111 743
Group contribution, net	142 458 350	0
Paid-out dividend	<u>0</u>	<u>-51 007 295</u>
Net cashflow from financing	<u>94 010 680</u>	<u>-104 119 038</u>
Net change in cashflow for the period	-21 947 133	23 620 791
+ Cash balance per 01.01.	<u>35 818 144</u>	<u>12 197 354</u>
= Cash Balance per 31.12.	<u>13 871 011</u>	<u>35 818 144</u>

1) Generated from operations:

Result before taxes	-51 899 922	55 930 987
+ Ordinary depreciation	47 706 028	43 289 570
+Amortization deferred debt issuance cost	1 046 655	1 154 016
+Realized currency gain mortgage debt	<u>14 673 341</u>	<u>19 337 414</u>
= Total generated from operations	<u>11 526 102</u>	<u>119 711 987</u>



KNOT SHUTTLE TANKERS 17 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.

Other non Current Assets

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.

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.

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



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 ineffective part of the debt in foreign currencies over financial items.

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 assets.

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(s). Ship management fee includes services like technical management, crewing management, IT and energy management.

Financial Instruments

The treatment of foreign exchange and interest rate instruments in the accounts 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.

2 Contracts

The vessel operates on a 90-days time-charter agreement with three 30-days optional period to be mutually agreed between the charterers Knutsen Shuttle Tankers Pool AS and the company. The time-charter contract started on 7 December 2021.

The Company has fixed with Equinor ASA a 12-month fixed time charter contract with charterers option to extend the fixed period to 24-months and two 12-month options to commence in 4th quarter 2023.

The Company has secured agreements with Equinor Energy AS, A/S Norske Shell, Aker BP ASA and Vår Energi AS (hereinafter referred to as "VOCIC") representing the VOC Industry Co-operation to take over ownership of-, retrofit, integration, operations and maintenance of one NMVOC Recovery System (VRU), on board M/T Bodil Knutsen to be used when the vessel is operating on the Norwegian Continental Shelf. The installation was done in 4th quarter 2021 and the offshore commissioning and testing was under process at the end of the year to be ready for operation in 2022.

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

3 Non Current Assets

Vessel

	<u>2021</u>	<u>2020</u>
Historical value 1.1	890 223 183	889 889 834
Acc. Depreciation 1.1	302 914 975	264 200 842
Book value 1.1	587 308 208	625 688 992
Additions/disposals	121 354 522	333 349
Ordinary annual depreciation	42 613 747	38 714 133
Book value 31.12.	666 048 983	587 308 208

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

Dry docking

	<u>2021</u>	<u>2020</u>
Capitalised dry-docking 1.1	22 790 177	22 696 473
Acc. Depreciation dry-docking 1.1	21 970 341	17 394 904
Capitalised dry-docking 1.1	819 837	5 301 570
Additions/disposals	28 706 526	93 705
Ordinary annual depreciation	5 092 281	4 575 437
Book value 31.12.	24 434 082	819 838



Total vessel	690 483 065	588 128 045
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The company changed in third quarter 2021 the useful life estimate for M/T Bodil 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.

During the scheduled second renewal survey drydocking, a ballast water treatment system was installed on the M/T Bodil Knutsen. The company also installed a VOC recovery system, which is further described below, on the vessel during the fourth quarter of 2021.

In august the company entered into an agreement with Altera Norway Holding AS and Norwegian VOC industry cooperative (VOCIC) whereby the ownership and responsibilities of a VOC Recovery system was transferred to KNOT Shuttle Tankers 17 AS. In October 2021 the company entered into a VOC installation contract and a VOC operation agreement with VOCIC. The company is in accordance with the agreements responsible for the installation, operation and maintenance of the VOC plant, but will be compensated for both the capital investment and the operation and maintenance activities related to the VOC system.

4 Financial Income and -Expenses

	2021	2020
Financial Income:		
Dividend	374 637	0
Realized gain currency swaps	0	4 417 686
Other interest income	14	63 336
Total financial income	374 652	4 481 022
Financial expenses:		
Interest expenses	10 613 412	15 016 717
Realized loss currency swaps	0	415 914
Guarantee expenses group companies/related parties	1 651 644	2 070 987
Other financial expenses	266 584	286 400
Total financial expenses	12 531 640	17 790 018

5 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Other paid-in equity	Other equity	Total equity
Equity 01.01	132 000	103 175 845	182 830 822	78 729 296	364 867 963
Group contribution, net	0	0	142 458 350	0	142 458 350
Result for the year	0	0	0	-51 899 922	-51 899 922
Equity 31.12.	132 000	103 175 845	325 289 172	26 829 373	455 426 390

Share capital consists of 2 400 shares NOK 55 each, all held by KNOT Shuttle Tankers AS.

KNOT Shuttle Tankers 17 AS is controlled 100% by KNOT Offshore Partners LP. Accounting for the Group can be obtained from the website, <http://knotoffshorepartners.com/>.

6 Remuneration

No remuneration is paid to the Board of Directors during the year.

The company have not given any loan or guarantees to any leading person or board member during the year.

Auditor's fee (excl. VAT):	2021	2020
Auditing	18 819	37 638
Other consultancy	0	0
	18 819	0



7 Balances with related parties

	2021	2020
<u>Current receivables</u>		
Knutsen OAS Crewing AS	90 359	203 002
Luky KS	0	4 651
KNOT Management AS	5 474	5 247
Knutsen OAS Shipping AS	258 739	0
	354 572	212 900
 <u>Accounts payable related parties</u>		
Knutsen OAS Shipping AS	1 030 192	2 519 948
Knutsen OAS Management AS	212 217	0
KNOT Shuttle Tankers 35 AS	1 306	0
KNOT Shuttle Tankers Pool AS	60 866	0
Knutsen OAS Crewing AS	92 781	0
Knutsen Shuttle Tankers 3 AS	46 896	0
KNOT Management AS	289 037	201 102
	1 733 295	2 721 050

Part of the ballast water treatment system that was installed on the vessel was purchased from Knutsen Ballast Water AS, a subsidiary of TS Shipping Invest AS, for NOK 16 million

8 Salary and social costs

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.

9 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.

10 Mortgage Debt and Financial Instruments

31-12-21

	USD	Historical rate	Rate per 31.12	NOK
USD-loan	36 632 434	8,1556	6,1177	224 106 241
Deferred debt issuance costs				-1 502 159
				222 604 082
Current portion:				
USD-loan	5 520 756			33 774 329
Deferred debt issuance costs				-936 312
				32 838 017

31-12-20

	USD	Historical rate	Rate per 31.12	NOK
USD-loan	42 153 190	8,1556	6,1177	257 880 570
Deferred debt issuance costs				-2 548 814
				255 331 756
Current portion:				
USD-loan	5 520 756			33 774 329
Deferred debt issuance costs				-1 046 653
				32 727 676

The USDNOK exchange rate at the year-end was 8,8363 (8,5375 per 31.12.2020).

Estimated outstanding debt per year end 2026 is USD 9 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 100 million compared to a loss of NOK 102 million as per 31.12.2020.

Security for the loan is made through a first priority mortgage in the vessel, transportation of income, pledged bank deposit, factoring agreement, pledged shares in the company and guarantees from the owner.

Book value of mortgaged assets is NOK 716 million per 31.12.2021 (NOK 642 million at 31.12.20).

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 25 million. Mark to market gain on interest swaps have not been taken into account with USD 0.3 million (loss of USD 0.5 million last year).

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 141 720 (NOK 141 720 last year). Tonnage tax is classified as an operating expense.

The company should meet certain requirements to be within the scheme, such as only ownership of ship/ shares in the shipping companies, and only own certain types of financial assets.

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

	2021	Change	2020
Loss carried forward	-56 503 505	-3 783 378	-52 720 127
Basis for deferred tax (benefit)	-56 503 505	-3 783 378	-52 720 127
Deferred tax (benefit) 22%	-12 430 771	-832 343	-11 598 428
Deferred tax (benefit) booked	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:

	2021	2020
Net financial items	-12 814 025	-14 372 739
Non-deductible currency loss	431 291	551 722
Other non-deductible items	-363 398	0
Interest swaps/foreign exchange rate contracts	0	-3 681 630
Non-deductible interest / taxable interest	8 962 753	14 250 673
Taxable income before loss carried forward	-3 783 378	-3 251 974
Change in loss carried forward	-3 783 378	-3 251 974
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0

12 Inventories

Inventories refer to lube oil and stores as per 31 December. Due to the fact that the vessel is contracted on a time charter, bunkers and bunkers stock are for charterer's account.



13 Crew Hire

The company has no own employees, but hires all crew from related parties in accordance with a separate management agreement.

Specification:

Grants crew expenses

	<u>2021</u>	<u>2020</u>
	-2 567 310	0



Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

To the Shareholders' Meeting of KNOT Shuttle Tankers 17 AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 17 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 17 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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