



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 30.03.2022

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, 24.05.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Revenue		0	122 149 545
Gain sale of vessel			76 478 366
Sum inntekter		0	198 627 911
Kostnader			
Crew-Hire		833 480	13 940 371
Depreciation			15 007 935
Administration expenses	6,7	2 584 214	9 269 981
Other operating expenses		-23 620	16 285 423
Sum kostnader		3 394 074	54 503 710
Driftsresultat		-3 394 074	144 124 201
Finansinntekter og finanskostnader			
Financial income	8	696 357 752	501 267 159
Foreign exchange gain/-loss			112 215 920
Sum finansinntekter		696 357 752	613 483 079
Financial expenses	8	385 102 559	148 931 259
Foreign exchange gain/- loss		62 640 270	
Sum finanskostnader		447 742 829	148 931 259
Netto finans		248 614 923	464 551 820
Ordinært resultat før skattekostnad		245 220 849	608 676 021
Tax	10	44 471 044	127 985 921
Ordinært resultat etter skattekostnad		200 749 805	480 690 100
Årsresultat		200 749 805	480 690 100



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	30 894 170	
Sum immaterielle eiendeler		30 894 170	
Finansielle anleggsmidler			
Investering i datterselskap	2	4 893 199 007	4 865 424 492
Lån til foretak i samme konsern		92 655 991	57 755 025
Investeringer i tilknyttet selskap	2	1 278 207 588	1 032 636 491
Sum finansielle anleggsmidler		6 264 062 586	5 955 816 008
Sum anleggsmidler		6 294 956 756	5 955 816 008
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables		4 881 788	60 053
Receivables related parties		373 080	329 773
Group receivables		21 911 505	41 732 362
Group contribution		385 368 661	245 836 076
Dividend			51 553 822
Other financial instruments		66 825	0
Sum fordringer		412 601 859	339 512 086
Bankinnskudd, kontanter og lignende			
Cash and bank deposits	3	112 596 278	219 470 801
Sum bankinnskudd, kontanter og lignende		112 596 278	219 470 801
Sum omløpsmidler		525 198 137	558 982 887
SUM EIENDELER		6 820 154 893	6 514 798 895

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Share capital		1 601 864 400	1 601 864 400
Overkurs		598 428 328	598 428 328
Sum innskutt egenkapital		2 200 292 728	2 200 292 728
Opptjent egenkapital			
Annen egenkapital		1 806 103 510	1 746 494 076
Sum opptjent egenkapital		1 806 103 510	1 746 494 076
Sum egenkapital	4,9	4 006 396 238	3 946 786 804
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10		11 642 302
Sum avsetninger for forpliktelser			11 642 302
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5	1 548 667 555	1 389 553 673
Langsiktig konserngjeld		585 768 896	734 881 117
Financial liabilities		1 621 231	7 885 597
Sum annen langsiktig gjeld		2 136 057 682	2 132 320 387
Sum langsiktig gjeld		2 136 057 682	2 143 962 689
Kortsiktig gjeld			
Leverandørgjeld		99 163	1 201 535
Accrued interest		5 264 315	4 679 239
Current liabilities group		2 929 218	1 273 897
Group Contributions		668 286 877	386 115 727
Current liabilities to related parties		386 663	30 779 004
Other financial instruments		378 428	
Other current liabilities		356 308	
Sum kortsiktig gjeld		677 700 972	424 049 402
Sum gjeld		2 813 758 654	2 568 012 091
SUM EGENKAPITAL OG GJELD		6 820 154 892	6 514 798 895



Balanse

Beløp i: NOK	Note	2021	2020
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Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Freight income	2,14	166 667 000	210 379 000
Other income	2,14	14 018 000	27 455 000
Gain on sale business	7	0	11 044 000
Gain on sale fixed assets	3	4 684 000	3 593 000
Sum inntekter		185 369 000	252 471 000
Kostnader			
Personell cost	14,15	61 918 000	57 859 000
Depreciation	3	123 857 000	110 864 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	5 417 000	
Operating expenses vessels	14,15	29 427 000	32 981 000
Other expenses	15	106 000	542 000
Administration expenses	14,15	5 145 000	-7 785 000
Vessel hire	12	13 291 000	18 579 000
Sum kostnader		239 161 000	213 040 000
Driftsresultat		-53 792 000	39 431 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	6	7 910 000	12 363 000
Financial income	16	24 793 000	874 000
Changes in market value of financial assets/liabilities		8 243 000	
Currency gains			942 000
Sum finansinntekter		40 946 000	14 179 000
Financial expenses	12,14, 16	25 114 000	30 667 000
Changes in market value of financial assets/liabilities			6 548 000
Currency loss		1 179 000	
Sum finanskostnader		26 293 000	37 215 000
Netto finans		14 653 000	-23 036 000
Ordinært resultat før skattekostnad		-39 139 000	16 395 000



Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
Tax	17	4 412 000	2 358 000
Ordinært resultat etter skattekostnad		-43 551 000	14 037 000
Årsresultat		-43 551 000	14 037 000
Minoritetsinteresser		-2 000	-88 000
Årsresultat etter minoritetsinteresser		-43 549 000	14 125 000
Non controlling interest		-2 000	-88 000
Other comprehensiv income		-3 480 000	3 244 000
Sum resultatkomponenter for IFRS-foretak		-3 482 000	3 156 000
Totalresultat		-47 031 000	17 281 000



Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	17	34 012 000	38 218 000
Goodwill	5	74 793 000	74 793 000
Sum immaterielle eiendeler		108 805 000	113 011 000
Varige driftsmidler			
Property and equipment	3	387 000	447 000
Vessels	3	722 832 000	662 427 000
Vessel under construction	3,4,14	110 413 000	85 614 000
Right-of-use assets	12	20 749 000	24 985 000
Sum varige driftsmidler		854 381 000	773 473 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	6	198 993 000	184 651 000
Long-term receivables	8	21 000	18 000
Financial assets	8,11	700 000	0
Sum finansielle anleggsmidler		199 714 000	184 669 000
Sum anleggsmidler		1 162 900 000	1 071 153 000
Omløpsmidler			
Varer			
Stores	13	8 083 000	6 238 000
Sum varer		8 083 000	6 238 000
Fordringer			
Kundefordringer	8,11,1 4	15 902 000	14 890 000
Financial assets	8,11	8 000	0
Receivables associated companies/related parties	8	687 000	1 154 000
Other receivables	8	12 668 000	12 077 000
Sum fordringer		29 265 000	28 121 000
Bankinnskudd, kontanter og lignende			



Konsernets balanse

Beløp i: USD	Note	2021	2020
Cash and bank deposits	9	56 256 000	83 971 000
Restricted bank deposits	9	26 232 000	27 219 000
Sum bankinnskudd, kontanter og lignende		82 488 000	111 190 000
Sum omløpsmidler		119 836 000	145 549 000
SUM EIENDELER		1 282 736 000	1 216 702 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Share capital	19	271 384 000	271 384 000
Overkurs		104 481 000	104 481 000
Sum innskutt egenkapital		375 865 000	375 865 000

Opptjent egenkapital

Other equity		78 276 000	141 306 000
Minoritetsinteresser		247 000	249 000
Sum opptjent egenkapital		78 523 000	141 555 000

Sum egenkapital

454 388 000 **517 420 000**

Gjeld

Langsiktig gjeld

Deferred income	8	839 000	1 050 000
Sum avsetninger for forpliktelser		839 000	1 050 000

Annen langsiktig gjeld

Gjeld til kredittinstitusjoner	10	580 073 000	539 210 000
Lease liabilities	10,12	22 831 000	28 819 000
Sellers Credit	10	14 153 000	
Financial liabilities	8,11	934 000	6 769 000
Sum annen langsiktig gjeld		617 991 000	574 798 000

Sum langsiktig gjeld

618 830 000 **575 848 000**

Kortsiktig gjeld



Konsernets balanse

Beløp i: USD	Note	2021	2020
Gjeld til kredittinstitusjoner	10	175 226 000	80 221 000
Leverandørgjeld	8,14	8 863 000	9 534 000
Betalbar skatt	17	109 000	144 000
Lease liabilities	10,12	7 146 000	6 860 000
Current financial liabilities	8,11	2 767 000	4 459 000
Other current liabilities to associated companies	8	3 028 000	5 433 000
Other current liabilities	8	12 380 000	16 783 000
Sum kortsiktig gjeld		209 519 000	123 434 000
Sum gjeld		828 349 000	699 282 000
SUM EGENKAPITAL OG GJELD		1 282 737 000	1 216 702 000



Skattedirektoratet

Saksbehandler
Jan Hoelstad

Deres dato
11.03.2011

Vår dato
30.03.2011

Telefon
22077325

Deres referanse
Jørn Knutsen

Vår referanse
2011/327976

Ernst & Young AS
Postboks 6163, Postterminalen
5892 Bergen

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

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

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

Postadresse

Postboks 9200 Grønland
0134 Oslo

For elektronisk henvendelse se www.skatteetaten.no

Besøksadresse

Se www.skatteetaten.no
Org. nr: 996250318

Sentralbord

800 80 000
Telefaks

22 17 08 60



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

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

Søknad:

Fra deres brev gjengis:

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

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

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

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

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

Skattedirektoratets vurdering og konklusjon

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



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

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

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

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


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

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

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

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

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Jan Høelstad



Admincontrol

List of Signatures Page 1/1

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Name	Method	Signed at
Trygve Seglem	One-Time-Password	2022-03-29 11:41 GMT+02
Akira Kono	One-Time-Password	2022-03-29 11:37 GMT+02
Domyo, Takashi	BANKID_MOBILE	2022-03-29 11:36 GMT+02
Steimler, Svein	BANKID	2022-03-29 11:35 GMT+02
Seglem, Jorunn	BANKID_MOBILE	2022-03-29 11:34 GMT+02
Teksum, Leif	BANKID_MOBILE	2022-03-29 19:10 GMT+02



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KNOT Knutsen
NYK Offshore
Tankers

**Annual Report
2021**



Knutsen NYK Offshore Tankers AS



Knutsen
Group



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KNUTSEN NYK OFFSHORE TANKERS AS

DIRECTORS' REPORT 2021

GROUP AND COMPANY

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

The Company owns a number of ship-owning subsidiaries, management companies and 30.27% of the KNOT Offshore Partners L.P. ("KNOP"), and operates out of Haugesund, Norway. The Group's first shuttle tankers were ordered in 1984. Since then, KNOT has been a leader in the technical development of shuttle tankers.

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

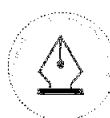
The Group has a fleet of nine owned and two chartered in specialised shuttle tankers at year end 2021. KNOT have three new buildings under construction in Korea and China for delivery later in 2022 and the vessels will start up on long term time-charter contracts following delivery. Our ships are mainly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

In addition, the Group owns and operate two floating storage and offloading ("FSO") vessels. *M/T Jorunn Knutsen* has operated at the Equinor Energy AS operated Åsgard field offshore Norway without any off-hire since start-up in 2000. *M/T Hanne Knutsen* has, since November 2018, been servicing a long-term contract with Equinor Energy AS at the Martin Linge field offshore Norway. The Martin Linge field officially started the production in January 2022 after being heavily delayed.

Knutsen NYK Offshore Tankers Group are the biggest unitholder and the sponsor of KNOT Offshore Partners L.P. and sell management services to the entities in KNOP. KNOP has a fleet of 17 owned specialised shuttle tankers at year end 2021, as of one is chartered to KNOT Group. KNOT Group and KNOP has an Omnibus Agreement where KNOP has an option to acquire all shuttle tankers with a charter contract of five year or more fixed term length. Three of the sailing vessels of KNOT and the three vessels under construction are candidates for sale down from KNOT to KNOP.

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

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



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Significant Developments

Delivery of Shuttle Tanker Newbuilding's

M/T Tuva Knutsen was delivered from the yard in China 1 February 2021 and after mobilization voyage towards Brazil, Petrobras and charterers approval, she started 16 February 2021 on her five-year fixed and up to ten-year optional period time charter with a Total company for operation off the Brazilian Coast. The Group booked an investment of USD 83 million regarding the delivery of the vessel.

M/T Live Knutsen was delivered from the yard in China 3 November 2021 and after mobilization voyage towards Brazil, Petrobras and charterers approval, she started 1 January 2022 on her five-year fixed and up to seven-year optional period time charter with a Galp company for operation off the Brazilian Coast. The Group booked an investment of USD 87 million regarding the delivery of the vessel.

Charter contracts

M/T Synnøve Knutsen has, after positioning and testing in Brazil in the end of 2020 and beginning of 2021, replaced *M/T Sallie Knutsen* in January 2021 on the existing charter contract with Petroleo Brasileiro S/A - Petrobras ("Petrobras") in Brazil. *M/T Synnøve Knutsen* was redelivered from the charterer in May and agreed in July a new time-charter party with Petrobras that started August for an initial 30 days period, later extended until redelivery at the end of January 2022. The vessel has started on the long-term time charter contract with Equinor's subsidiary Equinor Shipping Inc. on 20 February 2022.

M/T Heather Knutsen was redelivered from Tullow Oil UK Ltd. at the end of February 2021 and was moved to operate in the North Europe CoA portfolio in Knutsen Shuttle Tankers Pool thereafter. The Group has no vessel left in operation offshore Ghana after the redelivery.

The Group has from 13 May 2021 chartered in *M/T Bodil Knutsen* from KNOP and are currently chartered in on a 90-days fixed period with 3 options of 30 days thereafter. *M/T Bodil Knutsen* is operated in the CoA portfolio in Knutsen Shuttle Tankers Pool.

The Group has in June 2021 agreed with Equinor to charter in *M/T Eagle Bergen* and charter out *M/T Grena Knutsen* on a swap agreement that ended in January 2022. *M/T Eagle Bergen* was operated in the CoA portfolio of the Group's Knutsen Shuttle Tankers Pool during the contract period.

The Martin Linge gas field started up the production on 30 June 2021 and the Martin Linge B - FSO *Hanne Knutsen*, has in third quarter 2021 started the offloading to shuttle tankers. The field was officially opened on 27 January 2022. The vessel is on a fixed long-term time-charter contract to the field operator Equinor until October 2026 with charterers option to extend the contract up to four years.

Sale of Vessels

On 7 July, we delivered the 1999-built *M/T Betty Knutsen* shuttle tanker to its buyer for responsible ship recycling and received total proceeds of approximately USD 2.9 million and giving a gain on sale of vessel of USD 0.4 million.

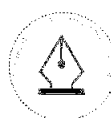
On 9 September, we delivered the 1999-built *M/T Sallie Knutsen* shuttle tanker to its buyer for responsible ship recycling and received total proceeds of approximately USD 12.4 million, giving a gain of USD 1.4 million from the sale.

On 22 September, we delivered the 1998-built *M/T Loch Rannoch* shuttle tanker to its buyer for responsible ship recycling and received total proceeds of approximately USD 7.9 million, giving a gain of USD 1.1 million from the sale.

On 22 October, we delivered the 1999-built *M/T Karen Knutsen* shuttle tanker to its buyer for responsible ship recycling and received total proceeds of approximately USD 13.5 million giving a gain of USD 1.7 million from the sale.

Investment in the associate - KNOP

On 27 May 2021, KNOT agreed with Tortoise Direct Opportunities Fund, LP to acquire 208,333 Series A Convertible Preferred Units in KNOP at a price of USD 19.20 per unit, a total investment of USD 4.0 million.



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On 7 September 2021, the KNOP entered into an exchange agreement with KNOT, whereby KNOT contributed to KNOP all of KNOT's incentive distribution rights ("IDRs"), in exchange for the issuance by KNOP to KNOT of 673,080 common units and 673,080 class B units, whereupon the IDRs were cancelled in a cashflow-neutral transaction (the "IDR Exchange"). KNOT booked a gain of USD 24.3 million from the realization of the IDRs and booked the new common units at a unit price of \$18.07 and the class B units at a unit price of \$18.07. The first 84,135 class B units was converted to common units on 15 November 2021 and the second 84,135 class B units was converted to common units on 15 February 2022.

Profit for the year

The Group's total revenue and operating income of USD 185 million contributed to an operating result (before depreciation and write-downs) of USD 83 million, compared to USD 163 million in 2020.

M/T Tuva Knutsen started up on her five-year fixed long term charterparty with Total Shipping Brazil B.V. from 16 February 2021. Charterers have options to extend the charterparty for up to ten-years. The Group agreed in December 2020 with Equinor Shipping Inc. to suspend the time charter contract for *M/T Synnøve Knutsen* from 21 December 2020 until she restarted the charterparty on 20 February 2022. The vessel was chartered out to Petrobras after replacing *M/T Sallie Knutsen* on the charterparty from the middle of January 2021 until the beginning of May, and from the beginning of August until the end of January 2022. *M/T Synnøve Knutsen* was idle between the two Petrobras charters in the middle of 2021. Tullow Ghana Limited finally manage to come back into normal production at the Jubilee oil field offshore Ghana and redelivered *M/T Heather Knutsen* on 28 February 2021. She was mobilized to North Europe for testing and started-up in the CoA operations. The four oldest vessels in the fleet have been taken out of operation and sold. *M/T Karen Knutsen* redelivered from former charterparty in October 2020 and sold in October 2021, *M/T Sallie Knutsen* redelivered from former charterparty in January 2021 and sold in September, *M/T Loch Rannoch* taken out of Knutsen Shuttle Tankers Pool from May and sold in September and *M/T Betty Knutsen* taken out from the CoA operation end of June and sold in the beginning of July. *M/T Gerd Knutsen* and *M/T Elisabeth Knutsen* was taken out of operation and sold in 3rd quarter 2020.

Total operating expenses ended on USD 110 million in 2021 (USD 102 million in 2020), an increase of USD 8 million from 2020.

M/T Bodil Knutsen has been chartered in from the middle of May from KNOP and *M/T Eagle Bergen* has been chartered from early August with a total charter hire of USD 13 million. COVID-19 have increased the price of flight tickets, requirements for quarantine hotels, higher sick leave as a direct consequence of the pandemic and changes of the rotation schedules have resulted in higher salary and personnel costs from USD 58 million in 2020 to USD 62 million this year. The handling and logistics expenses have increased as a long-term consequence of the pandemic. We have in 2021 expensed USD 2.4 million in connection with the start-up preparation work of *M/T Hanne Knutsen* for Martin Linge field production start-up. KNOT reversed a write down of charter payment receivable in 2020 after a final settlement with the former charterer, Citgo Petroleum Corporation of the shuttle tanker *M/T Gerd Knutsen* with USD 12 million booked as a reduction of the administration and other operating expenses.

The income from the associated KNOP ended on USD 8 million in 2021, compared to USD 12 million in 2020.

KNOT Offshore Partners LP reported total revenues for 2021 of USD 281 million, up from USD 279 million in 2020. Operating income for 2021 was NOK 74 million down from USD 123 million in 2020 and net income ended on USD 54 million (USD 65 million in 2020).

KNOP made an impairment of *M/T Windsor Knutsen* in second quarter 2021 of USD 29 million as of KNOT share was USD 7 million due to redelivery from prior charterparty. KNOT made an impairment of *M/T Bodil Knutsen* to the net investment in KNOP in first quarter 2021 of USD 6 million due to redelivery from prior charterparty. The Partnership changed the useful life estimate of each of the vessels in its fleet from 25 years to 23 years in third quarter 2021 due to prevailing longer-term market trends. This change increases the non-cash accounting depreciation charge in all future quarters starting 1 July 2021.



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The Group has depreciated leased and owned assets with USD 124 million and made write down of USD 5 million in 2021, an increase from USD 111 million in 2020. The leased assets and owned assets are evaluated for write down if impairment indicators have been observed and the goodwill is evaluated for impairment evaluation at year end. In the impairment evaluation (goodwill and the assets with indicators) we have compared with the highest of net sales price and value in use. We have not identified any need for impairment of the Group goodwill at the end of 2021.

M/T Karen Knutsen, M/T Sallie Knutsen, M/T Loch Rannoch and M/T Betty Knutsen were depreciated to expected sales price and have an accelerated depreciation plan compared to 2020. The Group changed in third quarter 2021 the useful life estimate for vessels and leased vessel from a general estimate of 25 years to a general estimate of 23 years due to prevailing longer-term market trends. This change will increase the non-cash accounting depreciation charge in all future quarters starting 1 July 2021. The Group made an impairment of USD 5 million on *M/T Anneleen Knutsen* at the end of 2021 based on updated expected value in use for the vessel. There have not been booked any other impairment on leased assets, fixed assets or goodwill in 2021 other than the impairment done on the vessels in KNOP under investments in associated companies (see explanation above) and *M/T Anneleen Knutsen*.

Net financial income- and expenses ended on USD 7 million (minus USD 35 million in 2020).

KNOT Group booked a gain of USD 24 million from the realisation of the IDRs. The effect on the mark-to-market evaluation of the Groups interest rate swaps and forward foreign exchange contracts in March and April 2020, as a consequence of market reaction of the COVID-19 pandemic, ended in losses taken into accounts in March and April 2020. Thereafter we have booked gains on the mark-to-market valuation of our financial instruments. In 2021 we booked USD 8 million in gain on the financial instruments and USD 1 million in currency losses. The financial expenses have been reduced from USD 31 million in 2020 to USD 25 million in 2021.

The Group had a loss before tax for the year of USD 39 million, compared to profit before tax of USD 16 million in 2020. Ordinary loss for the period amounted to USD 44 million compared to a profit of USD 14 million in 2020. The tax rate is different from the 22% normal corporate income tax rate in Norway as a major part of the business is subject to Norwegian tonnage tax in which the operating result is not taxed. Currency effect (fluctuations in the USD/NOK exchange rate) on deferred taxes are also reasons for the difference.

The total cash position of the Group was USD 82 million as of 31.12.21, of which USD 26 million is restricted bank deposit. The Group had USD 47 million in undrawn revolving credit facilities at year end. Total short-term debt amounted to 25 % of total debt and liabilities, in comparison to 18 % in 2020. The cash flow from operating activities was USD 54 million in 2021, compared to operating cash flow of USD 157 million in 2020.

Total assets for the Group at year-end 2021 amounted to USD 1,283 million compared to USD 1,217 million in 2020. Equity-share as at 31.12.21 was 35 % (43 % as at 31.12.20).

The working capital for the Group was minus USD 90 million at the end of 2021 down from USD 22 million in 2021. The reduction in the working capital is mainly related to the loan agreements and revolving credit facilities that are due for refinancing in 2022. The group has covenant requirements to have a positive working capital excluding first year instalments on long term debt in several of the financing facilities. The Group's working capital excluding first year instalments on long term debt was at 31 December 2021 USD 86 million, USD 102 million in 2020, and the group was in compliance with the covenant requirement.

The total assets of the Company amounted to NOK 6,820 million at year end (NOK 6,515 million in 2020). Investment in subsidiaries and associated companies through shares and group loans amounted to NOK 6,295 million (NOK 5,956 million in 2020), 92 % of the total assets. The cash balance is NOK 113 million (NOK 219 million in 2020) at year-end and the Company has a working capital of minus NOK 153 million (NOK 135 million



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in 2020). NOK 668 million of the current liabilities are related to group contributions, which will mainly be set-off against loan to group companies after the general meeting, or the parties will agree on long term loan agreements. This is part of our strategy to fund investments, support losses and increase the equity share in our subsidiaries.

Ordinary profit before tax amounted to NOK 245 million, compared to NOK 609 million in 2020. Ordinary profit after tax amounted to NOK 201 million compared to NOK 481 million in 2020. The Board of Directors recommends that the profit for the year is transferred to other equity. Equity-share as of 31.12.21 was 59 % (61 % in 2020). The Company's total equity was NOK 4,006 million on 31 December 2021 (NOK 3,947 at 31 December 2020) of which other equity was NOK 1,806 million (NOK 1,746 million in 2020). The Company paid out a dividend of NOK 136,550,400 based on 2020 accounts based on an extraordinary general meeting decision.

The Financial Statements have been prepared under the assumption of going concern, and the Board of directors confirms that this assumption is in accordance with the Norwegian Accounting Act § 3-3a and § 4-5.

Financing

The Group has a solid financial position both in terms of liquidity and solidity. During 2021, the Group carried out several financing and refinancing activities improving the Groups maturity profile and further strengthening the Groups liquidity position.

On 22 February 2021, the group company KNOT Shuttle Tankers 31 AS entered into a USD 88,000,000 term loan facility agreement with a syndicate of lenders and Nordea Bank ABP, Filial I Norge as agent for the financing of the post-delivery financing of *M/T Tuva Knutsen*. The Company is guarantor for the loan.

On 17 March 2021, the group companies KNOT Shuttle Tankers 41 AS and KNOT Shuttle Tankers 42 AS entered into a USD 245,000,000 term loan facility agreement with a syndicate of lenders and DNB Bank ASA as agent for the financing of the pre- and post-delivery financing of hull 5482 and hull 5483. The Company is guarantor for the loan.

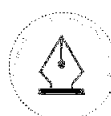
On 21 June, the Company agreed a second supplemental agreement to the revolving loan facility agreement originally dated 18 July 2018 extending the loan term and releasing TS Shipping Invest AS for the guaranteed commitments related to the facility.

On 14 October, the group company KNOT Shuttle Tankers 27 AS entered into a USD 89,560,000 term loan facility agreement with a syndicate of lenders and SMBC Bank International PLC as agent for the financing of the post-delivery financing of *M/T Live Knutsen*. The Company is guarantor for the loan.

On 21 December, the Company agreed an uncommitted revolving credit facility with The Norinchukin Bank, London Branch in the amount of USD 30 million for general working capital requirements.

The Group continuously works to secure refinancing of maturing debt 3-18 months before maturity. For 2022 the Group has one vessel related refinancing coming up for renewal for the *M/T Heather Knutsen* and the financing of hull 786 that are under construction. The *M/T Heather Knutsen* facility balloon that is planned for refinancing is USD 17 million, and the yard instalment to be financed for the newbuilding is USD 81 million. The Group continues to see solid appetite for our financing initiatives from a good number of lenders and is confident in our ability to raise attractive financing for both our current newbuilding programs and our existing vessels.

Liquidity situation going into 2022 is comfortable with USD 82 million cash of which USD 26 million is restricted cash. In addition, the Group has USD 47 million of undrawn revolving credit facilities. Overview and details of the cash, mortgage and main covenants are included in notes 9 and 10.



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Risk factors

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

The Group is dependent on the banking market but has mitigated this dependency by diversifying the bank group both in numbers and geographical location. Further the Group is exposed to the capital markets including potential impact on covenants by the investment and agreements with KNOT Offshore Partners LP where KNOT is its sponsor offering drop down vessels with contracts, is the general partner (KNOT Offshore Partners GP LLC) and is the largest unit holder. KNOT is also exposed to fluctuations in interest rates. The debt financing has variable interest rates, but a part of the debt for the vessels on long-term charters is hedged with interest rates swaps. KNOT Group has at the end of 2021 hedged 25 % of the debt in USD and 47 % of the debt in NOK.

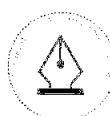
KNOT regularly makes prepayments to shipyards for vessels under construction. These deposits are secured by refund guarantees from reputable financial institutions.

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

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

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

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



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

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

Environment, safety, and quality control

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

KNOT supports the Norwegian Shipowners' Association's Greenhouse Gas ("GHG") strategy for 2030 and towards 2050, which is more stringent than IMO's ambitions. The IMO's Initial GHG Strategy envisages a reduction in the carbon intensity of international shipping by at least 40 per cent by 2030, pursuing efforts towards 70 per cent by 2050, compared to 2008. This Initial Strategy will be revised by 2023. The Group has already commenced the process of establishing appropriate targets and metrics that is applied in and from 2021, based on how shuttle tankers are expected to be assessed under CII/EEXI conventions, given that shuttle tankers operate differently to conventional tankers.

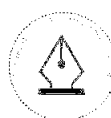
The Group's values are essential to succeed over time in a competitive environment. The Group's values are at the core of the management system and guide how the Group conducts business, work together and how the Group acts towards stakeholders.

The Group's three main values are:

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

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

KNOT takes an active approach regarding its operations and the development and employment of technology to reduce fleet emissions. An internal environmental group consisting of naval architects, and environmental and operational personnel has been established to find solutions to the environmental challenges the Company faces. One very significant and prime example of this is where the related party Knutsen Technology developed a technology to reduce VOC emissions to the atmosphere during the loading of cargo. At the end of 2021, 8 of our 9 shuttle tankers in the KNOT's fleet have so far installed the KVOC technology.



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

The Group has a training program which for the time being involves 70 training positions. The Group focus on having a high retention rate for officers and crews, and for 2021 the retention rate for officers was 92 %.

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

The Group has established overall guidelines to ensure that:

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

Sick leave among sailors was in 2021 at 5.2 % (1,2 % in 2020). Sick leave among office employees in Haugesund was in 2021 at 2.2 %. The working environment both on shore and aboard our vessels is considered to be good.

Equal opportunity

The Group is an equal opportunity employer and strives to provide a working environment free of discrimination and harassment for employees regardless of location. All applicants will be considered for employment without attention to race, colour, religion, sex, sexual orientation, gender orientation, national origin or disability. New employment is based on business needs, job requirements and individual qualifications. No considerations are made outside the protection of the laws and regulations in the locations in where we operate. The share of women in the office is 26.82 %. Onboard our vessels the percentage of women is 2.03 %.

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

Future developments

KNOT's two FSO's are fixed on long term charterparties and are vital for the production on the two fields with surrounding tied in fields. *M/T Jorunn Knutsen* has a fixed contract until the end of September 2024 with charterers options to extend for four years and *M/T Hanne Knutsen* has a fixed contract to medio October 2026 with charterers options to extend for four years.

The three shuttle tankers delivered in 2020 and 2021 and the three vessels to be delivered in 2022 are all chartered out on long term contracts with charterers options to extend up to in total six to twelve years, with the first fixed period to end in the first quarter of 2026.

The fleet employed in the CoA and short-term charter market are vessels with an age between 15 and 20 years old with long-term experience in the trade. *M/T Grena Knutsen* and *M/T Bodil Knutsen* have installed VOC recovery systems that make them attractive for the energy companies offloading at the Norwegian continental shelf as they reduce the VOC emission. We installed the second generation KVOC system onboard *M/T Gjon*



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Knutsen during the class renewal in 2021, partly paid by the charterers, making the vessel more attractive for charterers loading activities offshore. We observe that ports, like Wilhelmshaven, require tankers with KVOG to keep emissions down in the ports. The Group fleet of vessels in the CoA operations are at the start of 2022, three handy size vessel of 35,000 dwt that can take smaller cargoes and four suez-max vessels that can load up to 1 million barrels of oil from offshore oil field or between terminals.

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

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

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

The length and severity of the Coronavirus outbreak, the Russian invasion of Ukraine and the global crude oil supply and demand affecting volatility in the oil price environment, cannot be estimated at this time. Such developments could affect the total number of new offshore projects and the overall offshore oil. and gas production outlook.

Haugesund, March 29, 2022

Svein Steimler
Chairman of the Board
(This document is signed electronically)

Trygve Seglem
Board member, President & CEO
(This document is signed electronically)

Leif Teksum
Board member
(This document is signed electronically)

Takashi Domyo
Board member & EVP
(This document is signed electronically)

Akira Kono
Board member
(This document is signed electronically)

Jorunn Seglem
Board member
(This document is signed electronically)



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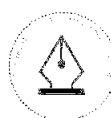
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Knutsen NYK Offshore Tankers Group Statements of Total Comprehensive Income

USD 1000	Notes	2021	2020
OPERATING INCOME			
Freight income	2,14	166 667	210 379
Other income	2,14	14 018	27 455
Gain on Sale Business	7	0	11 044
Gain on sale fixed assets	3	4 684	3 593
<i>Total operating income</i>		<u>185 369</u>	<u>252 471</u>
OPERATING EXPENSES			
Personell costs	14,15	-61 918	-57 859
Operating expenses vessels	14,15	-29 427	-32 981
Other expenses	15	-106	-542
Administration expenses	14,15	-5 145	7 785
Vessel hire	12	-13 291	-18 579
<i>Total operating expenses</i>		<u>-109 887</u>	<u>-102 176</u>
Income from investment in associated companies	6	7 910	12 363
Operating profit before depreciation, write-down		<u>83 392</u>	<u>162 658</u>
Depreciation on vessels	3	-123 857	-110 864
Impairment on vessel	3	-5 417	0
Operating profit		<u>-45 883</u>	<u>51 794</u>
FINANCIAL INCOME AND EXPENSES			
Financial income	16	24 793	874
Financial expenses	12,14,16	-25 114	-30 667
Changes in market value of financial assets/liabilities		8 243	-6 548
Currency gains (losses), net		-1 179	942
<i>Net financial income and expenses</i>		<u>6 743</u>	<u>-35 399</u>
Profit before taxes		<u>-39 140</u>	<u>16 395</u>
Taxes	17	-4 412	-2 358
PROFIT FOR THE PERIOD		<u>-43 551</u>	<u>14 037</u>
ATTRIBUTABLE TO:			
Non controlling interest		<u>-2</u>	<u>-88</u>
Equity holders of parent		<u>-43 550</u>	<u>14 125</u>
Other comprehensive Income*		<u>-3 480</u>	<u>3 244</u>
Total Comprehensive Income		<u>-47 031</u>	<u>17 281</u>

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



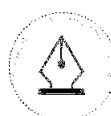
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Knutsen NYK Offshore Tankers Group Statements of financial position

USD 1000	Notes	31.12.2021	31.12.2020
ASSETS			
NON CURRENT ASSETS			
Deferred tax assets	17	34 012	38 218
Goodwill	5	74 793	74 793
<i>Total intangible assets</i>		<u>108 805</u>	<u>113 011</u>
Vessels	3	722 832	662 427
Vessels under construction	3,4,14	110 413	85 614
Property and equipment	3	387	447
Right-of-use assets	12	20 749	24 985
<i>Total tangible fixed assets</i>		<u>854 382</u>	<u>773 473</u>
Investments in associated companies	6	198 993	184 651
Long-term receivables	8	21	18
Financial assets	8,11	700	0
<i>Total financial non-current assets</i>		<u>199 714</u>	<u>184 669</u>
Non current assets		<u>1 162 900</u>	<u>1 071 153</u>
CURRENT ASSETS			
Stores	13	8 083	6 238
<i>Total Inventories</i>		<u>8 083</u>	<u>6 238</u>
Accounts receivables	8,11,14	15 902	14 890
Financial assets	8,11	8	0
Receivable associated companies/related parties	8	687	1 154
Other receivables	8	12 668	12 077
<i>Total debtors</i>		<u>29 265</u>	<u>28 121</u>
<i>Cash and bank deposits</i>	9	56 256	83 971
<i>Restricted bank deposits</i>	9	26 232	27 219
Total current assets		<u>119 836</u>	<u>145 549</u>
TOTAL ASSETS		<u>1 282 736</u>	<u>1 216 702</u>



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Knutsen NYK Offshore Tankers Group Statements of financial position

USD 1000	Notes	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Share capital	19	271 384	271 384
Share premium		104 481	104 481
<i>Total paid-in capital</i>		<u>375 865</u>	<u>375 865</u>
Other equity		78 276	141 306
<i>Total other equity</i>		<u>78 276</u>	<u>141 306</u>
Non controlling interests		247	249
Total equity		<u>454 388</u>	<u>517 420</u>
<u>LIABILITIES</u>			
Deferred income	8	839	1 050
<i>Total provisions</i>		<u>839</u>	<u>1 050</u>
Interest-bearing loans and borrowings	10	580 073	539 210
Lease liabilities	10,12	22 831	28 819
Sellers Credit	10	14 153	0
Financial liabilities	8,11	934	6 769
<i>Total other non-current liabilities</i>		<u>617 991</u>	<u>574 798</u>
Interest-bearing loans and borrowings	10	175 226	80 221
Lease liabilities	10,12	7 146	6 860
Accounts payable	8,14	8 863	9 534
Tax payable	17	109	144
Current financial liabilities	8,11	2 767	4 459
Other current liabilities to associated companies	8	3 028	5 433
Other current liabilities	8	12 380	16 783
<i>Total current liabilities</i>		<u>209 519</u>	<u>123 434</u>
Total liabilities		<u>828 349</u>	<u>699 282</u>
TOTAL EQUITY AND LIABILITIES		<u>1 282 736</u>	<u>1 216 702</u>

Haugesund, March 29, 2022

Svein Steimler
Chairman of the Board
(This document is signed electronically)

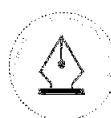
Trygve Seglem
Board member, President & CEO
(This document is signed electronically)

Leif Teksum
Board member
(This document is signed electronically)

Takashi Domyo
Board member & EVP
(This document is signed electronically)

Akira Kono
Board member
(This document is signed electronically)

Jorunn Seglem
Board member
(This document is signed electronically)



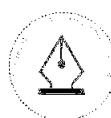
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Knutsen NYK Offshore Tankers Group Statement of changes in equity

USD 1000	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Share capital	Share Premium	Retained earnings	Foreign currency translation reserve	Total			
Balance at 1 January 2020	271 384	104 481	144 241	-20 303	499 801	417	500 218	
Profit for the year	0	0	14 125	0	14 125	-88	14 037	
Dividends paid to shareholders	0	0	0	0	0	-80	-80	
Other comprehensive income	0	0	0	3 244	3 244	0	3 244	
Total comprehensive income	0	0	14 125	3 244	17 369	-168	17 201	
Balance at 31 December 2020	271 384	104 481	158 366	-17 059	517 170	249	517 420	
Balance at 1 January 2021	271 384	104 481	158 366	-17 059	517 170	249	517 420	
Profit for the year	0	0	-43 550	0	-43 550	-2	-43 552	
Dividends paid to shareholders	0	0	-16 000	0	-16 000	0	-16 000	
Other comprehensive income	0	0	0	-3 480	-3 480	0	-3 480	
Total comprehensive income	0	0	-59 550	-3 480	-63 030	-2	-63 032	
Balance at 31 December 2021	271 384	104 481	98 816	-20 539	454 140	247	454 388	



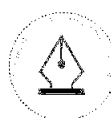
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Knutsen NYK Offshore Tankers AS Cash flow Statement

USD 1000	31.12.2021	31.12.2020
OPERATING ACTIVITIES		
Profit before taxes	-39 140	16 396
Paid income tax	-202	-2 082
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	123 857	110 864
Impairment on fixed assets	5 417	-
Gain on sale Vessel	-4 684	-3 593
Income (loss) from investing in associated company	-32 235	-12 363
Payments from investments in associated company	22 345	22 140
Amortization of deferred debt issuance cost	2 195	2 292
Interest expenses	15 916	5 103
Interest paid	-12 059	-3 433
Lease interest paid	-1 473	-476
Changes in market value of financial current liabilities	-8 243	6 548
Changes in operating assets and liabilities		
Decrease (increase) in amounts due from related parties	464	-369
Decrease (increase) in inventories	-3 117	-2 698
Decrease (increase) in other current assets	-592	6 127
Decrease (increase) in accounts receivables	-1 012	6 952
Increase (decrease) in trade accounts payable	-915	1 046
Increase (decrease) in other liabilities	-10 511	911
Increase (decrease) in amounts due to related parties	-2 405	3 381
Net cash provided by (used in) operating activities	53 606	156 747
INVESTING ACTIVITIES		
Additions to vessel and equipment	-1 297	-504
Disposals to vessel and equipment	37 474	19 210
Drydock additions	-5 045	-12 272
Additions vessel under construction	-227 800	-200 438
Investment in associated company	-4 451	-
Sale of business	-	10 725
Cash Sale of Business	-	-783
Net cash provided by (used in) investing activities	-201 119	-184 062
FINANCING ACTIVITIES		
Proceeds from long-term debt	206 694	293 658
Repayment of long-term debt	-75 604	-171 688
Repayment of financial lease liabilities	-6 800	-6 395
Net change in revolving credit facility	12 000	-17 400
Payment of debt issuance cost	-4 863	-3 554
Repayment of shareholder loan	-	-39 831
Change in restricted cash	987	-193
Dividends paid to equity holders	-16 000	-
Net cash provided by (used in) financing activities	116 414	54 597
Net foreign exchange differences	3 384	-1 752
Net increase in cash and cash equivalents	-27 715	25 530
Cash and cash equivalents at the beginning of the period	83 971	58 441
Cash and cash equivalents at the end of the period	56 256	83 971



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NOTE 1 Basis of preparation

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

This section describes the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is described within the note. We have also detailed below the effects of the new accounting pronouncements adopted in 2021, and new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

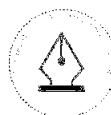
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and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

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

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

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

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



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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

Foreign currencies

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

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

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

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

	USDNOK	EURUSD	USDCAD
Pr 31.12.21	8.8363	1.1324	1.2779
Pr 31.12.20	8.5375	1.2305	1.2741



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Current or non-current classification

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

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

Cash Flow

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

Dividends

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

Recently Adopted Accounting Standards

The Group has assessed that there are no accounting standards effective from January 1, 2021 that impact the consolidated accounts as of December 31, 2021.

New Accounting Standards not yet adopted

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

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

Note 2 Operating income

Accounting policies

Revenue recognition

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

Revenues from time charters

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

Revenues from spot-/CoA charters

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



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

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

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

Revenues

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

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

(USD 1 000)	2021	2020
Revenue from time charter contracts (service element included)	125 724	147 912
Revenue from CoA contracts and spot contracts	40 944	62 467
Total freight income	166 667	210 379

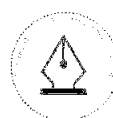
The minimum contractual future revenues to be received from time charter contracts as of December 31, 2021, were as follows (the service element of the time charter included):

(USD 1 000)	Future minimum contractual payment
Within 1 year	160 047
1 to 2 years	399 651
3 to 5 years	333 423
After 5 years	91 782
Total	984 782

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

Other income (IFRS 15 and insurance recoveries) in 2021 is mainly related to management services delivered to the Group's associated and related companies. For construction contracts, revenue is recognized based on the stage of completion of the project according to IFRS 15. The stage of completion is measured based on costs incurred on the balance sheet date as a percentage of total estimated costs. Insurance recoveries are generally recognized when proceeds are received.

Other income	2021	2020
Income from management services	11 062	15 758
Income from construction contracts	235	177
Insurance recoveries	1 785	11 520
Credit from the Norwegian Shipowners' Mutual War Risks Insurance Association	935	0
Total other income	14 018	27 455



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Geographic reporting:

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

During 2021, the groups three largest clients contributed with a freight income amounted to USD 99 million, USD 22 million and USD 14 million, respectively, which is approximately 73% of the total freight income.

	2021		2020	
North Europe	83 %	137 764	76 %	182 535
West Africa	2 %	3 553	15 %	36 015
South America	14 %	23 128	8 %	9 653
Other	1 %	2 222	1 %	16 269
Total	100 %	166 667	100 %	210 379

NOTE 3 Tangible Fixed Assets

Accounting policies

Vessels

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

Depreciation

The estimated economic life is 23 and 25 years for our shuttle tankers and FSOs respectively. Depreciation of the shuttle tankers and FSOs is calculated on a straight-line basis using our estimated useful life less the estimated residual value. Our estimated useful life represents our best estimate of the period that we will use the vessel, while the estimated economic life may involve periods that an asset will be used by others or converted to be used in other segments of shipping. Our business model is to provide time charters of five years or more.

Charterers prefer newer vessels for long-term charters and prefer vessels less than 20 years of age if available in the market. Accordingly, we have adopted that the estimated useful life or depreciable life of 23 years, while in cases where management has estimated that a vessel will have a shorter or longer lifespan than 23 years, or if we have chartered the vessel out for a fixed contract beyond the vessels age of 23 years, we use our best estimate on the useful life of the vessel.

Historically, the useful life of the Group's shuttle tankers was assessed as 25 years commencing from the date the vessel and equipment were delivered from the shipyard. As of June 30, 2021, the Group had considered factors related to the ongoing use of the vessels and equipment, gradual shifts in market conditions and other long-term factors associated with the global oil and maritime transportation industries and based on this reassessed the useful life as being 23 years. This change in estimate was applied prospectively from July 1, 2021 and impacted the entire fleet of shuttle tanker vessels. The effect of the change in estimate is an increase in monthly depreciation and amortization expense of USD 0.35 million. Our current fleet's estimated useful life ranges from 20 to 26 years

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

Periodic maintenance

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



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Impairment

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

Below is an overview of the Groups fixed assets as of December 31, 2021 and 2020.

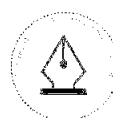
2021	Vessels	Vessels under construction	Other tangible assets	Total
Cost price 01.01.2021	1 322 022	85 614	614	1 408 250
Additions	4 533	241 953	0	246 486
Transfer	217 153	-217 153	0	0
Disposals	-216 601	0	0	-216 601
Translation adjustment	-18 692	0	0	-18 692
Cost price 31.12.2021	1 308 415	110 414	614	1 419 443
Acc. depreciations/ impairment 01.01.2021	-659 596	0	-167	-659 763
Depreciation current period	-116 711	0	-60	-116 771
Impairment current period	-5 417	0	0	-5 417
Disposals	185 327	0	0	185 327
Translation adjustment	10 814	0	0	10 814
Acc. depreciations/ impairment 31.12.2021	-585 583	0	-227	-585 810
Carrying value 31.12.2021	722 832	110 414	387	833 633

2020	Vessels	Vessels under construction	Other tangible assets	Total
Cost price 01.01.2020	1 315 402	103 143	614	1 419 159
Additions	12 776	200 438	0	213 214
Transfer	217 965	-217 965	0	0
Disposals	-241 112	0	0	-241 112
Translation adjustment	16 991	0	0	16 991
Cost price 31.12.2020	1 322 022	85 614	614	1 408 250
Acc. depreciations/ impairment 01.01.2020	-666 121	0	0	-666 121
Depreciation current period	-103 514	0	-167	-103 681
Disposals	121 351	0	0	121 351
Translation adjustment	-11 312	0	0	-11 312
Acc. depreciations/ impairment 31.12.2020	-659 596	0	-167	-656 763
Carrying value 31.12.2020	662 427	85 614	447	748 488

Included in additions are capitalized interest of USD 0 million and USD 1.3 million respectively as of December 31, 2021 and December 31, 2020. For description of pledged assets see Note 10 – Mortgages other long-term liabilities and guaranteed liabilities.

Impairment valuation

Each balance sheet date, Management evaluates if there are any impairment indicators for each of its vessels. In 2021, Management determined impairment indicators for the vessel M/T Anneleen Knutsen. We calculated the net present value of future cash flows (DFC analysis), in which we applied a WACC of 6.49 % for M/T Anneleen Knutsen. Based on the results of our impairment test, we recorded an impairment charge of USD 5.4 million. The estimated cash flows for our vessels are impacted by future market conditions including residual value. The



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impairment valuation of vessels is also sensitive to changes in the WACC. A one percentage point increase in the WACC would result in an increased impairment charge of USD 0.1 million. In 2020 there was no impairment.

NOTE 4 Vessels under Construction and Conversion

Accounting policies

New building contracts

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

The Group has three vessels under construction as of December 31, 2021 (five newbuilding's as of December 31, 2020). As of December 31, 2021 contractual commitments for the construction of new buildings amounted to USD 277 million.

	2021	2020
Investment in vessels under construction	110 414	85 614

NOTE 5 Goodwill

Accounting policies

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

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

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

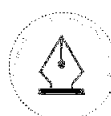
The remaining carrying value of goodwill on December 31, 2021, and 2020 was as follows:

	2021	2020
Balance on December 31.	74 793	74 793

The Group performed an impairment test of goodwill as of December 31, 2021, in which calculated recoverable amount is the higher of value in use and fair value less costs to sell. Fair value less costs to sell is determined as the average of two independent brokers' estimates less estimated selling expenses while value in use is the present value of the future cash flows from continuing use and ultimate disposal expected to be derived from the cash generating unit.

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

The cash flows for the remaining useful lives of the vessels are used to calculate the value in use and are based on future budgets with management's expectations on day rates and operating expenses for the tankers being operated by Knutsen NYK Offshore Tankers Group. The Group has used a discount rate (WACC) for the corresponding period of cash-flow. The discount rate (WACC) applied is 6.61 % for projects with an expected remaining lifetime of 10 years or more 6.58 % for 7 to 10 years 6.55 % for 5 to 7 years 6.49 % for 3 to 5 years and 6.31 % for up to 3 years cash-flows at the end of 2021. The discount rate (WACC) applied is 6.86 % for NOK project with expected remaining lifetime of 10 years or more.



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Key assumptions used in value-in-use calculation

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

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

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

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

Sensitivity to changes in assumptions

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

NOTE 6 Investments in Associates

Accounting policies

Investment in associates

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

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

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



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Entity	Country	Segment	Ownership interest	Carrying amount
KNOT Offshore Partners LP	Marshall Island	Shuttle Tankers	30.47 %	
Investment in associates 01.01.2020				194 428
Dividend 2020				-22 140
Net income from associates 2020				12 363
Investment in associates 31.12.2020				184 651
Purchase Preferred units				4 000
Purchase GP (General Partner) units				451
Incentive Distribution Rights exchange (1)				24 325
Dividend 2021				-22 345
Income from associates 2021				7 910
Investment in associates 31.12.2021				198 993

(1) Knutsen NYK Offshore Tankers AS and KNOT Offshore Partners LP agreed to exchange the Incentive Distribution rights held by the company in the partnership into 50% common units and 50% class B units. The class B units will be converted into common units over 8 quarters the first time in 4th quarter 2021. The class B units is subordinated and the conversion can be adjusted if the Partnership reduce the quarterly dividend per share down from the current 0.52 USD. 1/8 of the class B units have been converted to common units in 1st quarter 2022.

A summary of financial information for our share of the associate for the year 2021 (30.47% share) and 2020 (27.84% share).

(USD 1 000) based on IFRS	2021	2020
Gross revenue	85 650	77 733
Net income	9 449	17 070
Assets	511 007	495 618
Liabilities	331 649	326 277
Equity (2)	179 358	169 341

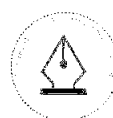
(2) Under IFRS the preferred units have been defined as liabilities.

KNOT Offshore Partners LP is listed on the New York Stock Exchange and experienced a decrease in its unit price during 2020 in which the unit price was approximately USD 13.4 as of December 31, 2020 (USD 15.1 as of December 31, 2020) implying fair value of the investment of USD 142 million. Management considered impairment indicators as required by IAS 28 Investments in Associates and determined the investment was not impaired as of December 31, 2021. Even though the Unit Price has decreased in 2021 we do not expect any changes in the underlying operations on the long-term investment and as of now the management do not expect impairment on the investment in 2022 based on the fall in Unit Price.

NOTE 7 Sale of business

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

In December 2020, the Group offered, and KNOP used their right to purchase the Group's interest in KNOT Shuttle Tankers 34 AS the owner of M/T Tove Knutsen. The Group recognized gain on sale of business of USD 11 million through the transaction in 2020. There have not been any sales transactions between the parties in 2021.



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NOTE 8 Financial instruments

Accounting policies

Financial assets

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

Financial liabilities

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

Trade and other receivables:

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

Contract assets:

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

Impairment:

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

Account payables and other payables

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

Contract liabilities:

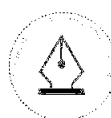
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Group fulfils the performance obligation (s) under the contract.

Derivatives:

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

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

	31.12.2021			31.12.2020		
	Amortized cost	Fair value through profit and loss	Total	Amortized cost	Fair value through profit and loss	Total
Financial assets						
Long-term receivables	21	0	21	18	0	18
Financial assets (derivatives)	0	700	700	0	0	0
Total non-current financial assets	21	700	721	18	0	18
Accounts receivable	15 900	0	15 900	14 890	0	14 890
Receivables related parties	687	0	687	1 154	0	1 154
Financial assets (derivatives)	0	8	8	0	0	0
Other receivables*	12 668	0	12 668	12 077	0	12 077
Total current financial assets	29 255	8	29 263	28 121	0	28 121



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

	31.12.2021			31.12.2020		
	Amortized cost	Fair value through profit and loss	Total	Amortized cost	Fair value through profit and loss	Total
Financial liabilities						
Deferred income (contract liability)	839	0	839	1 050	0	1 050
Financial liabilities (derivatives)	0	934	934	0	6 769	6 769
Total non-current financial liabilities	839	934	1 773	1 050	6 769	7 819
Accounts payable	8 863	0	8 863	9 534	0	9 534
Current financial liabilities (derivatives)	0	2 767	2 767	0	4 459	4 459
Other current liabilities to associated companies	3 028	0	3 028	5 433	0	5 433
Other current liabilities	12 380	0	12 380	16 783	0	16 783
Total current financial liabilities	24 271	2 767	27 038	31 750	4 459	36 209

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

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

	31.12.2021			31.12.2020		
	Gross Carrying value	Expected credit loss allowance	Total	Gross Carrying value	Expected credit loss allowance	Total
Assets						
Long-term receivables	21	0	21	18	0	18
Trade Accounts receivable	15 900	0	15 900	14 890	0	14 890
Receivables related parties	687	0	687	1 154	0	1 154
Other receivables	12 668	0	12 668	12 077	0	12 077
Sum financial assets	29 276	0	29 276	28 139	0	28 139

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

NOTE 9 Cash and Bank Deposit

Accounting policies

Cash and bank deposit

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

Restricted bank deposits

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



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

USD 1 000	2021	2020
Cash and bank deposit	56 256	83 971
Restricted bank deposit	26 232	27 219
Total cash and bank deposit	82 488	111 190

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

NOTE 10 Mortgages other long-term liabilities and guaranteed liabilities

Accounting policies

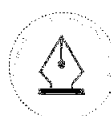
Interest-bearing loan and borrowings

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

	31.12.2021	31.12.2020
Mortgage loans	534 319	482 448
Other interest-bearing loans	52 309	60 949
Sellers Credit 1)	14 153	0
Capitalized borrowing cost	-6 555	-4 188
Total long-term interest-bearing loans and borrowings	594 226	539 210
Current interest-bearing loans and borrowings	175 226	80 221
Total interest-bearing loans and borrowings	769 452	619 431

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

Book value of collateral	31.12.2021	31.12.2020
Bank deposits	54 648	51 253
Account receivables	8 852	8 139
Vessels	839 356	631 118
Investments in associates	138 341	147 354
Total booked value	1 041 197	837 864



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Changes in liabilities arising from financing activities

	January 1, 2021	Cash flow	Amortization of deferred debt issuance costs	Foreign exchange differences	December 31, 2021
Long term liabilities to financial institutions	539 210	43 221	2 195	-4 553	580 073
First year instalments long term debt	80 221	95 005	0	0	175 226
Lease liabilities	33 563	-6 147	0	0	27 416
Total liabilities from financing activities	652 994	132 079	2 195	-4 553	782 715

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

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

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

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

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

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

All financial covenants required to the Group's various ship owning companies and Knutsen NYK Offshore Tankers AS as guarantor of the loans were fully in compliance on December 31, 2021.

The Group has also secured non-amortizing credit facilities and an amortizing revolving credit facility in the total amount of USD 223.1 million at parent level. The amortizing facility and one of the non-amortizing facilities are secured by 6.9 million units in NYSE (New York Stock Exchange) listed KNOT Offshore Partners LP and the other non-amortizing are unsecured. As of December 31, 2021, USD 176 million of the revolving credit facilities have been drawn.

All the Group's external interest-bearing debt was at year-end denominated in USD except for the financing of the M/T Hanne Knutsen which primarily denominated in Norwegian Kroner (NOK), the same currency that the charter hire is received in for that vessel. This secures a natural hedge of the currency risk for the project. The outstanding principal amount of the Martin Linge facility was at year-end 2021 NOK 1.3 billion (USD 151 million at the Group balance) of which NOK 1.1 billion was denominated in NOK and the remaining part in USD.

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

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



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NOTE 11 Financial Risk Management

General

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

As with all global shipping activities, our operations are subject to risks related to outbreaks of infectious diseases. Governments in COVID-19 affected countries are though temporary in measure imposing travel bans quarantines and other emergency public health measures. The Group strives to tackle continuous challenges and changes in the pandemic environment to ensure safe trading of or our vessels with regular crew change whilst also ensuring that our newbuilding's are delivered timely to entertain agreed charter contracts.

Capital structure

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

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

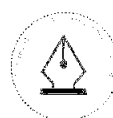
The Group's strategy is to have advanced vessels on long-term charters with first class charters and this strategy is much appreciated by banks. Since the Group has relationships with an extensive list of top tier banks with a geographical spread. The Group is dependent on the banking market but has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

Credit risk

The Group is exposed to potential losses on accounts receivable. The credit risk within our segment is regarded as very low. The company's debtors are mostly major energy companies, and it is considered fairly unlikely that they will fail to meet their obligations towards us as this means that they will not be able to transport their crude oil to onshore terminals. Distributing crude oil is imperative for the cash flow of exploration & production companies. The maximum credit exposure is regarded as equal to the size of the gross accounts receivable i.e. USD 16.1 million. The Group is also exposed to potential losses if the agreement counterpart in a derivative contract should fail to fulfil its payment obligations on the settlement date. However, the company does not expect any of the parties to fail to fulfill their obligations since derivative contracts are only entered into with recognized financial institutions and most of the contracts are swaps where the Mark to Market tends to be minor compared to the nominal size of the contracts. No hedging against credit risk was undertaken in 2021 and 2020. Ongoing provisions are made and historically the loss percentage has been very low. As per 31 December 2021 USD 0.2 million was allocated for outstanding account receivable (USD 0 million as per 31 December 2020).

Ageing trade accounts receivables pr. 31.12.2021	Not yet due	0 - 1 month overdue	1- 3 months overdue	Older than 3 months
Trade accounts receivable	14 035	1 164	184	718

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



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Interest risk

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

As of December 31, 2021, the Group has 14 fixed interest rate contracts with 1.0 – 5.5 years remaining maturity for approximately 28 % of total debt. The remaining 72 % of the mortgage debt has floating interest.

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

Increase/ decrease of basis points		Effect on profit before taxes (USD 1 000)
+ / - 100	2021	+ / -5 931
+ / - 100	2020	+ / -4 291

As of December 31, 2021, the interest swaps have a negative value of USD 3.0 million.

Foreign currency risk

The Group's reporting currency is USD as revenues are predominantly denominated in USD. The Group receives revenues and lease income in USD and NOK. Shuttle tankers and ship management fees are normally received in USD. The time charter hire for M/T Hanne Knutsen and crew element of M/T Jorunn Knutsen is received in NOK and some of the management services is received in NOK. If the currency rate in 2021 had been 10 % higher / -lower than actual, this would have resulted in USD 6.8 million lower / USD 8.3 million higher revenues (in 2020 similar effect would have been USD 6.2 million lower / USD 7.5 million higher).

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

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

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

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

Increase/decrease in all currencies		Effect on profit before taxes (USD 1 000)
+ / - 10%	2021	+ / - 11 530
+ / - 10%	2020	+ / - 10 191

Increase/decrease in NOK		Effect on profit before taxes (USD 1 000)
+ / - 10%	2021	+ / - 6 918
+ / - 10%	2020	+ / - 6 114

Increase/decrease in EUR		Effect on profit before taxes (USD 1 000)
+ / - 10%	2021	+ / - 1 730
+ / - 10%	2020	+ / - 1 529



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Liquidity risk

The Group's strategy is to have sufficient cash and cash equivalents to ensure ongoing operations, future growth and avoid costs associated with financial distress. The Group monitors the risk of insufficient liquidity by extensive cashflow analysis. Risk management includes maintenance of sufficient liquid assets and the possibility of financing through credit facilities. The Group are continuously working to secure refinancing of maturing debt 3-18 months before maturity and for 2022, the Group has one vessel related refinancing up for renewal and financing of one newbuilding. The following table shows the maturity for the Group's financial obligations based on contractual undiscounted cash flows:

Pr. 31.12.2021	2022	2023	2024	2025	2026	2027 and thereafter
Interest bearing loans	182 317	162 815	185 480	162 785	100 581	0
Trade accounts payable	8 863	0	0	0	0	0
Interest rate swap expenses	2 195	945	291	-268	-271	-132
Foreign exchange rate contracts	35	0	0	0	0	0
Total	193 410	163 760	185 771	162 517	100 310	-132

Capital management

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

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

December 31st	2021	2020
Total equity	455 580	517 420
Total assets	1 283 928	1 216 702
	35 %	43 %

Interest risk

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

	Nominal value	Currency	Fixed rate *	Value as at 31.12.2021	Value as at 31.12.2020
Interest swap contract (USD)	162 837	USD	1.89 %	-2 289	-8561
Interest swap contract (NOK)	800 000	NOK	2.30 %	-669	-2 668

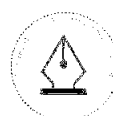
*weighted average

Financing risk

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

Fair value

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



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The fair value of long-term liabilities subject to fixed interest rates is calculated by comparing the Group's terms and the market terms for liabilities with the same terms to maturity and credit risk. As of December 31 2021 the interest swaps have a negative value of USD 3 million.

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

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

	31.12.2020		31.12.2020	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Other long-term receivables	21	21	18	18
Accounts receivables	15 900	15 900	14 890	14 890
Financial asset	8	8	0	0
Cash and bank deposits	56 256	56 256	83 971	83 971
Restricted bank deposit	26 232	26 232	27 219	27 219
Receivables associated companies	687	687	1 154	1 154
Other receivables	12 668	12 668	12 077	12 077
Sum financial assets	111 772	111 772	139 329	139 329

	31.12.2021		31.12.2020	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities				
Long-term financial liabilities	934	934	6 769	6 769
Short-term financial liabilities	2 767	2 767	4 459	4 101
Long-term Interest-bearing loans and borrowings	580 073	580 073	539 210	539 210
Short-term Interest-bearing loans and borrowings	175 226	175 226	80 221	80 221
Accounts payable	8 863	8 863	9 534	9 534
Other current liabilities to associated companies	3 028	3 028	5 433	5 433
Other current liabilities	12 380	12 380	16 783	16 783
Sum financial liabilities	783 271	783 271	662 409	662 051

NOTE 12 Leases

Accounting policies

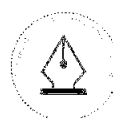
The Group assesses whether a contract contains a lease at inception of the contract. The assessment involves the exercise of judgement about whether it depends on a specified asset whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the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

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

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

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

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



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

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

The lease payments of principal and interest for the financial year 2021 and 2020 were as follows (excluding short term leases):

	2021	2020
Repayment of principal	6 800	6 568
Interest	1 491	1 799

In addition, the Group has paid USD 6.4 million in 2021 and USD 4.9 million in 2020 in short term lease of M/T Bodil Knutsen and M/T Windsor Knutsen respectively, which has been on time charters from KNOT Offshore Partners Group.

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

(USD 1 000)	Future minimum lease payment	Interest	Present value of min. lease payments
2022	8 329	1 183	7 146
2023	21 991	272	21 719
2024	684	20	664
2025	383	6	377
2026	71	0	71
2027	0	0	0
Carrying value at December 31 2021 for lease liabilities			29 977

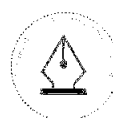
For the office rent there are some variable lease payment elements in the contract as adjustments based on index regulations and some foreign exchange effects since the lease payments are made in NOK but based on the limited size of the lease commitments this is considered to be immaterial.

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

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

	2021	Vessel	Leased equipment	Office leases	Total right-of-use assets
Cost price 01.01.2021		44 911	1 489	2 002	48 401
Additions		1 808	1 814	0	3 623
Disposals		0	713	0	4 149
Cost price 31.12.2021		46 719	2 590	2 002	47 875
Acc. depreciation 01.01.2021		-21 976	-744	-696	-23 416
Depreciation current period		-6 471	-372	-348	-3 710
Acc. depreciation 31.12.2021		-28 447	-1 071	-1 044	-27 126
Carrying value 31.12.2021		18 272	1 519	958	20 749

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



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NOTE 13 Stores

Accounting policies

Stores

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

Bunkers on vessels chartered out on time-charter contracts are sold to the customer at the start of the charter period and the customer are responsible for the consumption and bunkering during the charter period. Bunkers used during CoA voyages are invoiced to the customers at our cost after finalizing the voyage. Stores at the balance sheet dates consists of:

	2021	2020
Bunkers	5 944	4 761
Lube oil	2 139	1 477
Total stock	8 083	6 238

NOTE 14 Related Party Information

Related parties

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

TS Shipping Invest AS is controlled by Trygve Seglem (Director, President and CEO of KNOT and TS Shipping Invest AS). All companies in which Trygve Seglem directly or indirectly control or companies in which Trygve Seglem has material influence is considered as related party to the company and group. Trygve Seglem controls among others Knutsen OAS Shipping AS, Knutsen OAS Management AS, Knutsen OAS Crewing AS, SIA Knutsen Eastern Europe, Knutsen OAS ML AS and Knutsen OAS Offshore AS which in 2021 as well as in 2020 delivered management services and/or crewing services to the group.

Knutsen NYK Offshore Tankers AS owns units in KNOT Offshore Partners LP (30.47 % of the general partner-, Class B- and common units) and deliver different management services to the companies in that group.

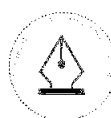
Group activities include transactions with related companies and parties. All services between related parties are based on an arm's length principle with pricing based on costs incurred and allowing for a profit margin.

Transactions with related parties

Management services

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

	2021	2020
New building supervision fee and refunds to/from TSSI Group (1)	-2 782	5 381
Hire project personnel from TSSI Group	134	567
Hire administration services from TSSI Group	5 472	5 736
Hire crew from TSSI Group	22 822	21 293
Hire administration services from NYK Group	472	422
Vessel hire from KNOP Group	6 421	4 883
Management services to KNOP Group	9 898	8 585
Management services to TSSI Group	0	26
Management services to NYK Group	633	571
Hire of property from Seglem Eiendom Group	475	382
Hire of property and cars to NYK Group	86	102
Other operating expenses with other related parties (2)	740	392



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

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

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

Guarantees

TS Shipping Invest Group have issued guarantees as security for some of the loan agreements and charter parties entered into by the operating companies which will be discontinued as soon as practical and acceptable for the third parties. There have been paid a guarantee fee of 0.5 % pro anno of the guaranteed amount. Total guarantee fee paid to TS Shipping Invest AS during 2021 is USD 0.1 million (in 2020 USD 0.1 million). The performance guarantees have not been priced.

TS Shipping Invest Group has also guaranteed for payments to the yard for three of the new-buildings in the Group which is calculated in the same way as for the guarantees for the loan agreements. Total paid guarantee fees related to this agreement in 2021 is USD 0.8 million. As of December 31, 2021 TS Shipping Invest Group has guaranteed USD 7.5, USD 7.5 and USD 80.5 million respectively related to ship building contracts.

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

KNOT also indemnifies KNOP for liabilities related to:

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

Related party inter-company balances

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

	Accounts receivables	Accounts payable
Total related parties	788	1 475

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

Receivables and other current liabilities to associated companies/related parties

Other current liabilities to associated companies/related parties in 2020 included the post-closing settlement amount of \$3.6 million related to the acquisition of the M/T Tove Knutsen, refer to Note 7.



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Transactions with key management personnel

Trygve Seglem is the President, CEO and Board member of Knutsen NYK Offshore Tankers AS (the Company). He and his family are also the sole proprietor of TS Shipping Invest AS. Trygve Seglem has received salary payment from KNOT Group during 2021 as President and CEO, see note 15.

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

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

Accounting policies

Operating expenses are recognized when incurred. are recognized when incurred.

Operating expenses vessels	2021	2020
Technical cost	23 883	27 239
Bunkers and lubricating	1 086	1 904
Insurance	4 458	3 838
Total operating expenses vessels	29 427	32 981
Other expenses related to construction contract	106	542
Wages and personnel cost	2021	2020
Wages	10 115	9 212
Social security	702	562
Pension costs	765	656
Other benefits	248	76
Hire administrative personnel	6 136	6 327
Crew cost paid by third party	-5 310	-5 051
Hire personnel vessels	49 262	46 077
Total personnel cost	61 918	57 859
Average number of man-labour years	112	102

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

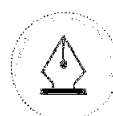
- Canship Uglund Ltd. – M/T Jasmine Knutsen, M/T Heather Knutsen and M/T Gerd Knutsen until the vessel was sold in June 2020
- KNOT Management Denmark A/S – M/T Dan Eagle until final demolition in January 2020 and M/T Gijon Knutsen from January 2020
- KNOT Management AS - the remaining vessels

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

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

Remuneration to executives, board of directors and auditor

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
2021	0	358	29	9
2020	0	320	23	6



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

	2021	2020
Audit fees	188	177
Other assurance services	5	31
Tax services	3	2
Total	196	209

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

NOTE 16 Financial Items

Accounting policies

Financial income and financial expenses

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

	2021	2020
Financial income		
Bank interest	110	277
Realized gain on foreign exchanges rate contracts	358	595
Other interest	0	2
Gain Incentive Distribution Rights exchange	24 325	0
Total financial income	24 793	874
Financial expenses		
Interests on debt and borrowings	-15 916	-9 840
Interest rate swap expenses	-4 327	-7 124
Realized loss on foreign exchanges rate contracts	0	-14
Interests on lease liabilities	-1 491	-1 800
Other financial expenses	-3 380	-11 889
Total financial expenses	-25 114	-30 667

NOTE 17 Taxes

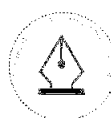
Taxes

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

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

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

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



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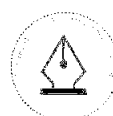
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Deferred tax assets are recognized to the extent that it is probable that adequate taxable profit will be generated to recover the tax asset. Anticipated utilization of tax losses is not discounted when calculating the deferred tax asset.

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

	2021	2020
Taxes payable (including correction tax)	12	34
Change in deferred taxes	4 206	272
Withholding taxes	0	58
Paid taxes	217	2 024
Currency differences	-23	-30
Tax on ordinary result	4 412	2 358
Specification of tax		
Ghana tax - ordinary regime	49	1 835
Currency differences	-23	-30
Brazilian tax - ordinary regime	132	174
Norwegian tax - ordinary regime	4 254	379
Total tax on ordinary result	4 412	2 358
Temporary differences:		
Vessels	-22 598	-24 563
Gain and loss accounts	-12 883	-16 661
Mortgage debt	-3 012	796
Limited partnership shares	0	23 589
Financial current assets/-liabilities	-433	-6 432
Tax loss carried forward	-99 455	-133 150
Other	-16 219	-17 296
Total temporary differences	-154 600	-173 717
Tax effect of temporary differences:	2021	2020
Vessels	-4 972	-5 404
Gain and loss accounts	-2 834	-3 665
Mortgage debt	-663	175
Limited partnership shares	0	5 190
Financial current assets/-liabilities	-95	-1 415
Tax loss carried forward	-21 880	-29 293
Other	-3 568	-3 805
Deferred tax net	-34 011	-38 218
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	-38 218	-38 490
Booked to profit and loss	4 206	272
Ending balance deferred tax	-34 012	-38 218
Payable tax in the balance sheet consist of		
Other payable corporation tax	109	144
Total payable tax in the balance sheet	109	144
Analysis of effective tax rate		
22 % of pre-tax result	-8 611	3 607
Paid tax Ghana from earlier years	0	1 578
Currency effect deferred taxes	-396	-2 394
Permanent differences / Norwegian tonnage tax regime	13 419	-433
Estimated tax	4 412	2 358



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The corporate income tax rate in Norway was 22 % in 2021 and 2020. Deferred tax on differences in values in associated companies with foreign partnerships has been included in the Group accounts. Further deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

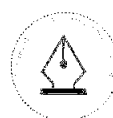
Deferred tax assets from losses carried forward in companies under ordinary tax regime in Norway are recognized since companies under ordinary tax regime are expected to have taxable income in the future.

NOTE 18 Group Companies

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

SUBSIDIARIES INCLUDED IN THE FINANCIAL STATEMENT

Subsidiaries and sub-subsidiaries	Owner	Main activity	Company share capital	Annual results (statutory accounts)	Equity as of 31.12.21 (100%)
KNOT Management AS	Knutsen NYK Offshore Tankers AS	Management company in Norway	NOK 100 000	NOK 65 676 085	NOK 30 301 981
KNOT Management Denmark A/S	KNOT Management AS	Management company in Denmark	DKK 500 000	DKK 408 891	DKK 2 117 901
KNOT Management do Brasil Ltda	KNOT Management AS	Management services in Brazil	BRL 2 789 532	BRL -1 328 270	BRL 1 442 415
Knutsen Atlantic Chartering AS	Knutsen NYK Offshore Tankers AS (90%) and Knutsen Shuttle Tankers 3 AS (10%)	Dormant company	NOK 1 176 000	NOK 244 065	NOK 1 176 000
Knutsen Canadian Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 1 176 000	NOK 284 348	NOK 1 176 000
Knutsen Newfoundland Chartering AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 200 000	NOK -222 461	NOK 6 113 323
Knutsen Shuttle Tankers Pool AS	Knutsen NYK Offshore Tankers AS	Pool company for group vessels in CoA trade	NOK 1 000 000	-	NOK 1 000 000
Knutsen Shuttle Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Anneleen Knutsen, M/T Gijon Knutsen and M/T Siri Knutsen	NOK 300 000	NOK -82 889 240	NOK 159 485 039
Knutsen Tankers 3 AS	Knutsen NYK Offshore Tankers AS	Owner of 90% of Knutsen Shuttle Tankers Ghana Limited	NOK 100 000	NOK -11 216	NOK 2 071 772
Knutsen Shuttle Tankers Ghana Limited	Knutsen Tankers 3 AS (90%)	Operation of shuttle tankers in Ghana	USD 222 000	USD -46 450	USD 2 698 343
KNOT FSO AS	Knutsen NYK Offshore Tankers AS	Owner of KNOT FSO 1 AS and KNOT FSO 2 AS	NOK 100 000	NOK 8 948 106	NOK 1 204 167 648
KNOT FSO 1 AS	KNOT FSO AS	Owner of M/T Hanne Knutsen	NOK 100 000	NOK 28 071 887	NOK 1 232 003 404
KNOT FSO 2 AS	KNOT FSO AS	Owner of M/T Jorunn Knutsen	NOK 100 000	NOK 22 831 757	NOK 100 000
KNOT Shuttle Tankers 22 AS	Knutsen NYK Offshore Tankers AS	Dormant company	NOK 100 000	NOK 1 311 086	NOK 40 082 830
KNOT Shuttle Tankers 23 AS	Knutsen NYK Offshore Tankers AS	Bare-boat owner of M/T Grena Knutsen	NOK 100 000	NOK -22 483 187	NOK 100 000



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KNOT Shuttle Tankers 27 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Live Knutsen	NOK 100 000	NOK -37 608 472	NOK 125 071 490
KNOT Shuttle Tankers 28 GP AS	KNOT Shuttle Tankers 35 AS	General partner in Luky KS	NOK 100 000	NOK -14 687 892	NOK 3 790 986
KNOT Shuttle Tankers 29 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Jasmine Knutsen	NOK 100 000	NOK -75 201 418	NOK 197 460 488
KNOT Shuttle Tankers 31 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Tuva Knutsen	NOK 100 000	NOK 3 366 238	NOK 152 859 269
KNOT Shuttle Tankers 33 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Heather Knutsen	NOK 200 000	NOK -67 266 826	NOK 252 785 646
KNOT Shuttle Tankers 35 AS	Knutsen NYK Offshore Tankers AS	Owner of M/T Synnøve Knutsen and limited partner in Luky KS	NOK 30 000	NOK -163 529 226	NOK 278 817 255
KNOT Shuttle Tankers 37 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull N786	NOK 30 000	NOK -1 133 720	NOK 197 752 631
KNOT Shuttle Tankers 41 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull 5482	NOK 30 000	NOK -2 901 525	NOK 287 384 922
KNOT Shuttle Tankers 42 AS	Knutsen NYK Offshore Tankers AS	Owner of Hull 5483	NOK 30 000	NOK -2 567 344	NOK 287 735 454
Luky KS	KNOT Shuttle Tankers 35 AS (90%) KNOT Shuttle Tankers 28 GP AS (10%)	Charter in/out M/T Synnøve Knutsen	NOK 26 800 000	NOK -70 452 960	NOK 19 771 596
KNOT Offshore Partners GP LLC	Knutsen NYK Offshore Tankers AS	General Partner of KNOT Offshore Partners LP	USD 4 241 000	USD 1 472 480	USD 16 001 388

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

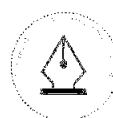
*Knutsen Shuttle Tankers Ghana Limited is owned 10% by the general manager of the company all the other companies are 100% owned by the Group.

NOTE 19 Shareholder Information and Dividends

Share Capital

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

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



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

NOTE 20 Commitments and Contingent Liabilities

Accounting policies

Provisions

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

Claims and legal proceedings

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

NOTE 21 Subsequent Events

The Group has evaluated subsequent events from the balance sheet date through March 29 2021 the date at which the audited consolidated financial statements were available to be issued and determined that there are no other items to disclose except as follows:

On January 1, 2022, Galp Sinopec Brazil Services BV took delivery of M/T Live Knutsen on her five-year fixed and up to seven-year optional period time charter.

On January 9, 2022, the Group redelivered M/T Eagle Bergen and got M/T Grena Knutsen redelivered from Equinor ASA after a mid-term swap arrangement of the two vessels. M/T Grena Knutsen returned and replaced M/T Eagle Bergen in the CoA operations in Knutsen Shuttle Tankers Pool AS.

On January 31, 2022, Petroleo Brasileiro S/A - Petrobras redelivered M/T Synnøve Knutsen from the time charter contract. The vessel has started on the five-year fixed with up to 15 optional years long-term time charter contract with the Equinor subsidiary Equinor Shipping Inc.

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

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



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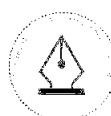
KNOT Knutsen
NYK Offshore
Tankers

Annual Report 2021

Company Account

Knutsen NYK Offshore Tankers AS

www.knotgroup.com



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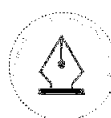
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Knutsen NYK Offshore Tankers AS

Profit and loss statement

NOK 1	Note	2021	2020
OPERATING INCOME			
Revenue		0	122 149 545
Gain sale of vessel		0	76478366
<i>Operating income</i>		<u>0</u>	<u>198 627 911</u>
OPERATING EXPENSES			
Crew-hire		833 480	13 940 371
Ordinary depreciation		0	15 007 935
Administration expenses	6,7	2 584 214	9 269 981
Other operating expenses		-23 620	16 285 423
<i>Operating expenses</i>		<u>3 394 074</u>	<u>54 503 710</u>
Operating result		<u>-3 394 074</u>	<u>144 124 201</u>
FINANCIAL INCOME AND EXPENSES			
Financial income	8	696 357 752	501 267 159
Foreign exchange gain/-loss		-62 640 270	112 215 920
Financial expenses	8	-385 102 559	-148 931 259
<i>Net financial income and expenses</i>		<u>248 614 922</u>	<u>464 551 820</u>
Profit before tax		<u>245 220 849</u>	<u>608 676 022</u>
Tax	10	44 471 044	127 985 921
Profit for the period		<u>200 749 804</u>	<u>480 690 101</u>



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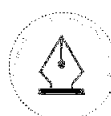
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Knutsen NYK Offshore Tankers AS

Statements of financial position

NOK 1	Note	31.12.2021	31.12.2020
ASSETS			
<u>FIXED ASSETS</u>			
Deferred tax asset	10	30894170	-
Investments in subsidiaries	2	4 893 199 007	4 865 424 492
Loans to group companies		92 655 991	57 755 025
Investments in associated companies	2	1 278 207 588	1 032 636 491
<i>Total fixed assets</i>		<u>6 294 956 756</u>	<u>5 955 816 008</u>
<u>CURRENT ASSETS</u>			
Other short-term receivables		4 881 788	60 053
Receivable related parties		373 080	329773
Group receivables		21 911 505	41 732 362
Group contributions		385 368 661	245 836 076
Dividend		0	51 553 822
Other financial instruments		66 825	0
Cash and bank deposits	3	112 596 278	219 470 801
<i>Total current assets</i>		<u>525 198 136</u>	<u>558 982 887</u>
TOTAL ASSETS		<u>6 820 154 892</u>	<u>6 514 798 895</u>



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Knutsen NYK Offshore Tankers AS

Statements of financial position

NOK 1	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
<u>EQUITY</u>			
Share capital		1 601 864 400	1 601 864 400
Share premium		598 428 328	598 428 328
<i>Total paid-in capital</i>		<u>2 200 292 728</u>	<u>2 200 292 728</u>
Other equity		1 806 103 510	1 746 494 076
<i>Total other equity</i>		<u>1 806 103 510</u>	<u>1 746 494 076</u>
Total Shareholders' Equity	4, 9	<u>4 006 396 238</u>	<u>3 946 786 804</u>
<u>LONG TERM LIABILITIES</u>			
Deferred tax	10	0	11642302
Financial liabilities		1 621 231	7 885 597
Liabilities to financial institutions	5	1 548 667 555	1 389 553 673
Group debt		585 768 896	734 881 117
<i>Total long term liabilities</i>		<u>2 136 057 682</u>	<u>2 143 962 689</u>
<u>CURRENT LIABILITIES</u>			
Trade creditors		99 163	1 201 535
Accrued interest		5 264 315	4 679 239
Current liabilities group		2 929 218	1 273 897
Group contributions		668 286 877	386 115 727
Current liabilities to related parties		386 663	30 779 004
Other financial instruments		378428	0
Other current liabilities		356308	0
<i>Total current liabilities</i>		<u>677 700 972</u>	<u>424 049 402</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		<u>6 820 154 892</u>	<u>6 514 798 895</u>

Haugesund, March 29, 2022

Svein Steimler
Chairman of the Board
(This document is signed electronically)

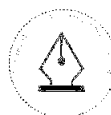
Trygve Seglem
Board member, President & CEO
(This document is signed electronically)

Leif Teksum
Board member
(This document is signed electronically)

Takashi Domyo
Board member & EVP
(This document is signed electronically)

Akira Kono
Board member
(This document is signed electronically)

Jorunn Seglem
Board member
(This document is signed electronically)



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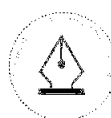
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Knutsen NYK Offshore Tankers AS

Cash flow statement

NOK 1	31.12.2021	31.12.2020
The result for the year before taxes	245 220 848	608 676 022
Gain sale of IDR	-212 068 750	0
Loss from sale of subsidiaries	5 429	0
Write-downs/-Reversal write-downs	249 383 389	-32 765 372
Changes in accounts receivables	-4 821 735	-15 486
Changes in accounts payable	-1 102 372	1 155 258
Changes in current receivables/payables to related parties	-30 435 648	30 374 952
Changes in current group receivables/payables	21 476 178	102 651 281
Foreign exchange gain/loss effects	62 298 408	-124 150 747
Elements classified as investments/financing activities	64 823 712	-74 986 188
Changes in other current assets and liabilities	941 383	-5 439 860
Net cashflow from operations	395 720 842	505 499 860
Sale and liquidation of subsidiaries	496 142	178 621 505
Repayment of equity from investments	378 481 712	388 655 315
Incorporation and acquisitions of subsidiaries	-26 143 347	-50 485 914
Capital injections and group contributions to subsidiaries	-592 803 205	-1 670 730 704
Acquisitions in shares and units in associated companies	-33 502 346	0
Net change in loans to subsidiaries	-34 900 966	489 712 134
Net cashflow from investments	-308 372 010	-664 227 664
Net change of drawn amount under revolving credit facilities	95 047 173	-162 420 875
Net change in loans received from subsidiaries	-160 671 016	444 042 379
Payment of dividend	-136 550 400	0
Net cashflow from financing	-202 174 244	281 621 504
Effect of exchange rate changes on cash and cash equivalents	7 950 887	4 504 739
Net change in cashflow for the year	-106 874 525	127 398 439
+ Cash balance per 01.01.	219 470 801	92 072 362
= Cash Balance per 31.12.	112 596 278	219 470 801



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NOTE 1 Accounting Principles

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

Investment in subsidiaries and associated companies

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

Current assets/current liabilities

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

Tax

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

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

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

Fixed assets

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

Transactions in foreign currency

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

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

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

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

Cash flow analysis

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



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NOTE 2 Shares in Subsidiaries

Subsidiaries	Total share capital	Owner- and voting share	Number	Face value	Equity 31.12	Last years result	Book value in KNOT AS
Knutsen Shuttle Tankers 3 AS	300 000	100 %	300	1 000	159 485 039	-82 889 240	506 878 002
KNOT Offshore Partners GP LLC	USD 4 241 000	100 %	5 340	N/A	USD 16 001 388	USD 1 472 480	70 981 327
KNOT Management AS	100 000	100 %	100	1 000	30 301 981	65 676 085	17 136 264
KNOT Shuttle Tankers 23 AS	100 000	100 %	100	1 000	100 000	-22 483 187	31 173 366
KNOT Shuttle Tankers 27 AS	100 000	100 %	100	1 000	125 071 490	-37 608 472	169 537 844
KNOT Shuttle Tankers 22 AS	100 000	100 %	100	1 000	35 012 331	1 620 587	120 000
KNOT FSO AS	100 000	100 %	100	1 000	1 204 167 648	8 948 106	1 910 974 502
Knutsen Newfoundland Chartering AS	200 000	100 %	1 000	200	6 113 323	-222 461	6 113 322
KNOT Shuttle Tankers 29 AS	100 000	100 %	100	1 000	197 460 488	-75 201 418	340 597 036
Knutsen Tankers 3 AS	100 000	100 %	100	1 000	2 071 772	-11 216	2 176 559
Knutsen Canadian Chartering AS	1 176 000	100 %	490	2 400	1 176 000	284 348	964 194
Knutsen Atlantic Chartering AS	1 176 000	90 %	490	2 400	1 176 000	244 065	931 349
Knutsen Shuttle Tankers Pool AS	1 000 000	100 %	10 000	100	1 000 000	0	989 523
KNOT Shuttle Tankers 33 AS	200 000	100 %	2 000	100	252 785 646	-67 266 826	428 717 122
KNOT Shuttle Tankers 31 AS	100 000	100 %	100	1 000	152 859 269	3 366 238	174 660 209
KNOT Shuttle Tankers 35 AS	30 000	100 %	1 000	30	278 817 255	-163 529 226	448 258 204
KNOT Shuttle Tankers 37 AS	30 000	100 %	1 000	30	197 752 631	-1 133 720	200 129 149
KNOT Shuttle Tankers 41 AS	30 000	100 %	1 000	30	287 384 922	-2 901 525	291 418 018
KNOT Shuttle Tankers 42 AS	30 000	100 %	1 000	30	287 735 454	-2 567 344	291 443 018
Net book value investment in subsidiaries							4 893 199 007

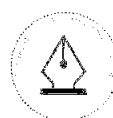
All of the Norwegian subsidiary companies have the same company address as the parent company, Smedasundet 40, Haugesund. KNOT Offshore Partners GP LLC have the following company address 2 Queens Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom.

Shares in associated companies	Owner share	Number	Equity 31.12	Last years result	Book value in KNOT AS
KNOT Offshore Partners L.P.	28,38% ¹		USD 673 015 829	USD 53 876 281	1 278 207 588
Common units		9 324 715			1 151 925 163
Class B units		588 945			92 780 078
Preferred units		208 333			33 502 346

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

Knutsen NYK Offshore Tankers AS and KNOT Offshore Partners LP agreed to convert the Incentive Distribution rights held by the company in the partnership into 50% common units and 50% class B units. The class B units will be converted into common units over 8 quarters the first time in 4th quarter 2021. The class B units is subordinated and

¹ KNOT cannot participate in the election of the board.



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the conversion can be adjusted if the partnership reduce the quarterly dividend per share down from the current 0.52 USD. 1/8 of the class B units have been converted to common units in 1st quarter 2022.

All classes of units have equal voting rights.

NOTE 3 Bank deposits

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

NOTE 4 Equity

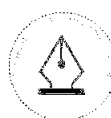
	Share capital	Share premium	Other equity	Total equity
Equity 1.1.	1 601 864 400	598 428 328	1 746 494 076	3 946 786 804
Dividend	0	0	-136 550 400	-136 550 400
Correction merger 2020	0	0	-4 589 970	-4 589 970
Result for the year	0	0	200 749 804	200 749 804
Equity 31.12	1 601 864 400	598 428 328	1 806 103 510	4 006 396 238

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

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

NOTE 5 External Financing and Financial Instruments

	31.12.2021	Available RCF	Drawn RCF	Rate used 31/12	NOK
USD-loans		199 900 000	176 000 000	8,8363	1 555 188 800
Debt issuance cost					-6 521 245
					1 548 667 555
Current portion USD-loans			81 000 000		691 537 500
Current portion debt issuance cost					-5 137 113



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	<u>31.12.2020</u>	<u>Available RCF</u>	<u>Drawn RCF</u>	<u>Rate used 31/12</u>	<u>NOK</u>
USD-loans		199 900 000	164 000 000	8,5375	1 400 150 000
Debt issuance cost					-10 596 327
					1 165 204 689
Current portion USD-loans			85 375 000		728 889 063
Current portion debt issuance cost			0		-5 224 022

The NOK/USD exchange rate at the year-end was 8,8363 (8,5375 per 31.12.20).

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

The company have pledged 500 000 of units in KNOT Offshore Partners L.P. as security for certain of its interest rate swap. In addition, the company have pledged 6 900 000 of its units in KNOT Offshore Partners as security for certain credit facilities. Aggregate book value for the pledged units are NOK 929 million.

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

NOTE 6 Auditors Remuneration

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

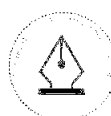
	<u>2021</u>	<u>2020</u>
Auditors' fee (VAT not included)		
Auditing	454 975	560 882
Other assurance services	17 063	225 399
Tax consultation	0	15 000
Total	472 038	801 281

NOTE 7 Pensions

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

NOTE 8 Financial Income and Expenses

	<u>2021</u>	<u>2020</u>
Financial income:		
Interest from Group companies /related parties	2 332 767	16 536 678
Dividend from insurance company	5 152 335	0
Distribution from preferred units	1 742 457	0
Realized gain, currency swaps	2 996 213	5 518 153
Other interest income	1 428	323 688
Guarantee fees related parties	18 026 985	15 782 768



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Disbursed profits from investments	158 082 468	167 254 701
Dividends/group contribution from subsidiaries	169 470 621	185 786 538
Gain conversion IDR	212 068 750	0
IDR KNOP	17 968 242	26 278 356
Reversal write down shares	64 329 640	76 553 569
Gain sale shares	44 185 846	7 232 709
Total financial income	696 357 752	501 267 159

Financial expenses:

Interest paid to Group companies /related parties	19 043 822	21 196 803
Loss sale of shares	5 429	0
Realized loss currency swaps	0	135 612
Unrealized loss currency swaps	311 603	0
Other interest expenses	45 006 796	63 574 390
Realized and unrealized interest rate swaps	5 846 013	15 953 441
Write-down shares	313 713 029	43 788 198
Other financial expenses from group companies	983 809	3 537 851
Guarantee cost from related parties	176 236	473 615
Other financial expenses	15 822	271 349
Total financial expenses	385 102 559	148 931 259

NOTE 9 Shares Owned by Board Members and Affiliates

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

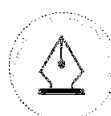
NOTE 10 Tax

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

	2021	2020
Profit before tax	245 220 848	608 676 022
Non-deductible items	158 314 519	-195 833 273
Change Temporary differences	-8 046 657	-84 683 692
Basis for tax calculation before Group contribution	395 488 710	328 159 057
Net Group contribution not over profit & loss	-395 488 710	-328 159 057
Basis for tax payable	0	0

Calculation of tax expenses

Tax payable	0	0
Correction taxable income last year	0	0



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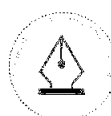
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Change in deferred tax	-42 536 473	55 525 000
Correction taxable income last year	0	265 929
Tax effect group contribution	<u>87 007 516</u>	<u>72 194 993</u>
Tax calculated	<u>44 471 044</u>	<u>127 985 921</u>

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

Temporary differences:	2021	Change	2020
Financial assets and liabilities	6 826 318	-4 194 510	11 020 828
Gain and loss account	-48 964 670	12 241 167	-61 205 837
Differences LP	0	-201 394 262	201 394 262
Interest expenses carried forward	<u>-98 289 693</u>	<u>0</u>	<u>-98 289 693</u>
Deferred tax basis	<u>-140 428 045</u>	<u>-193 347 605</u>	<u>52 919 560</u>
Deferred tax, 22% booked amount	<u>-30 894 170</u>	<u>-42 536 473</u>	<u>11 642 303</u>



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Statsautoriserte revisorer
Ernst & Young AS

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Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Knutsen NYK Offshore Tankers AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2021, the profit & loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- The financial statements are prepared in accordance with the law and regulations.
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) 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.



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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report - Knutsen NYK Offshore Tankers AS 2021

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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, 29 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

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Magnus Hegertun Birkeland

Statsautorisert revisor

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