



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Karl Gerhard Bråstein Dahl
Dato for fastsettelse av årsregnskapet: 17.03.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 29.05.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Freight income	1	159 270 414	141 945 899
Sum inntekter		159 270 414	141 945 899
Kostnader			
Crew-hire	2	23 949 198	22 309 874
Ordinary depreciation	3	35 018 589	37 256 624
Other operating expenses		19 480 852	18 277 877
Administration	3	7 480 104	6 234 222
Sum kostnader		85 928 742	84 078 597
Driftsresultat		73 341 672	57 867 302
Finansinntekter og finanskostnader			
Financial income	4	1 588 756	75 757
Foreign exchange gain/loss		3 648 976	2 834 977
Sum finansinntekter		5 237 731	2 910 734
Financial expenses	4	21 787 380	21 872 211
Sum finanskostnader		21 787 380	21 872 211
Netto finans		-16 549 648	-18 961 477
Ordinært resultat før skattekostnad		56 792 023	38 905 825
Taxes	5		
Ordinært resultat etter skattekostnad		56 792 023	38 905 825
Årsresultat		56 792 023	38 905 825
Årsresultat etter minoritetsinteresser		56 792 023	38 905 825
Totalresultat		56 792 023	38 905 825



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessel	3	547 465 519	582 484 108
Accrued income	1		3 074 581
Sum varige driftsmidler		547 465 519	585 558 689
Sum anleggsmidler		547 465 519	585 558 689
Omløpsmidler			
Varer			
Inventories	6	1 826 272	1 585 541
Sum varer		1 826 272	1 585 541
Fordringer			
Receivables	11	1 925 698	2 375 816
Konsernfordringer		1 349	20 722
Sum fordringer		1 927 047	2 396 538
Bankinnskudd, kontanter og lignende			
Bank deposits	7	37 723 945	49 329 666
Sum bankinnskudd, kontanter og lignende		37 723 945	49 329 666
Sum omløpsmidler		41 477 263	53 311 745
SUM EIENDELER		588 942 782	638 870 433
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		100 000	100 000
Overkurs		14 430	14 430



Balanse

Beløp i: NOK	Note	2022	2021
Annen innskutt egenkapital		109 216 388	109 216 388
Sum innskutt egenkapital		109 330 818	109 330 818
Opptjent egenkapital			
Other equity		74 284 049	38 905 825
Sum opptjent egenkapital		74 284 049	38 905 825
Sum egenkapital	8, 9	183 614 867	148 236 644
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10	396 926 133	437 929 448
Sum annen langsiktig gjeld		396 926 133	437 929 448
Sum langsiktig gjeld		396 926 133	437 929 448
Kortsiktig gjeld			
Leverandørgjeld	11	5 884 489	2 540 571
Utbytte			26 318 100
Kortsiktig konserngjeld		756 531	7 904 731
Accrued interest		526 355	1 390 155
Other current liabilities		1 234 407	14 550 784
Sum kortsiktig gjeld		8 401 782	52 704 342
Sum gjeld		405 327 915	490 633 790
SUM EGENKAPITAL OG GJELD		588 942 782	638 870 433



Skattedirektoratet

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

TS SHIPPING INVEST 2 AS
Postboks 2017
5504 HAUGESUND

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

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

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

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

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

Bakgrunn

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

Skattedirektoratets vurdering og konklusjon

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo

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



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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Jeanette Munkvold Skovholt
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



 Admincontrol

List of Signatures Page 1/1

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Name	Method	Signed at
Domyo, Takashi	BANKID	2023-03-13 10:55 GMT+01
Seglem, Trygve	BANKID	2023-03-13 09:40 GMT+01
Dahl, Karl Gerhard B	BANKID	2023-03-13 08:22 GMT+01



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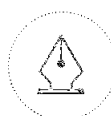


KNOT Shuttle Tankers 32 AS Annual Report 2022



M/T "Brasil Knutsen"

KNOT
Offshore Partners LP



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KNOT SHUTTLE TANKERS 32 AS

REPORT OF THE BOARD OF DIRECTORS 2022

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

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

The company's activity

M/T Brasil Knutsen have been chartered to Petrogal S.A., for international trade with offshore loading in Brazil from November 2022 as a direct continuation of the charterparty with another entity of Petrogal group. The time charter the vessel is operating on has a fixed period until November 6, 2023.

Result for the year

The operating result for KNOT Shuttle Tankers 32 AS was NOK 73 341 672 in 2022 compared to NOK 57 867 302 in 2021. After net financial loss of NOK 16 549 648 in 2022, against a loss of NOK 18 961 477 in 2021, the result for the year were NOK 56 792 023 in 2022 compared to NOK 38 905 825 in 2021.

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

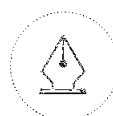
Total cash flow from operating activities in the company was NOK 84 335 841, NOK 98 302 636 in 2021. The liquidity position was NOK 37 723 945 as per 31.12.2022 compared to NOK 49 329 666 as per 31.12.2021. The company's ability to finance its investments is good. The company joined a refinancing of several of the group's vessels in 2021 in a new long-term financing with outstanding mortgage loan at the end of 2022 USD 47 730 127, USD 52 758 763 at the end of 2021.

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

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

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

The environment safety and quality control



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The requirements for safety and operation of ships are increasing, and the company, the group and the manager KNOT Management AS are concerned with operational excellence. The company vessel consists of modern ships which are designed and engineered for safe, environmentally sound, and efficient operations. The ship is maintained and upgraded continuously to meet the demands and expectations from stakeholders. The company and the manager put significant resources into quality assurance and there are strict requirements for safety systems and the operation of the ship.

The operation of the vessel can affect the external environment through emissions of air and water and the company, and the manager therefore has a high focus on health, environment, and safety work. The company and manager are concerned with environmental considerations when implementing projects, and environmental considerations are included in all stages from planning and implementation from operation, maintenance, sorting and recycling. The manager and the crew focus on minimizing energy consumption and reducing the pollution from energy generation on the vessel from the daily operation. The requirements for environment and safety in the operations of vessels are increasing, and both the company, the manager and the KNOT Offshore Partners Group emphasize operational quality. There have been no accidents linked to operations that have had serious consequences for crew, the environment, or assets in 2022.

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

The company and the other companies in the Norwegian part of the group regularly carries out risk-based due diligence assessments in accordance with the obligations pursuant to the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (LOV-2021-06-18-99) section 4. The due diligence assessments cover the operations in the company. The account for these due diligence assessments and other obligations pursuant to the Act's section 5 will be included in a report here www.knutsenoas.com within 30 June 2023.

Future prospects

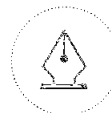
M/T Brasil Knutsen is operated on a charter with Petrogal S.A. The charterer and trading area are well known for the manager and the Board of Directors. The vessel is due for dry-dock with 10-year class renewal and maintenance in 2023. The Board of Directors expect that 2023 will be a stable profitable year for the company.

Haugesund, March 13, 2023

Trygve Seglem
Chairman of the Board

Karl Gerhard Bråstein Dahl
Member of the Board

Takashi Domyo
Member of the Board



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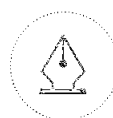
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KNOT Shuttle Tankers 32 AS

Profit & Loss Account

	Note	2022	2021
<u>Operating Income</u>			
Freight income	1	159 270 414	141 945 899
<i>Total Operating income</i>		<u>159 270 414</u>	<u>141 945 899</u>
<u>Operating Expenses</u>			
Crew-hire	2	23 949 198	22 309 874
Other operating expenses		19 480 852	18 277 877
Administration	3	7 480 104	6 234 222
<i>Total Operating Expenses</i>		<u>50 910 153</u>	<u>46 821 973</u>
Ordinary depreciation	3	35 018 589	37 256 624
<i>Operating Result</i>		<u>73 341 672</u>	<u>57 867 302</u>
<u>Financial Income and Expenses</u>			
Financial income	4	1 588 756	75 757
Foreign exchange gain/loss		3 648 976	2 834 977
Financial expenses	4	-21 787 380	-21 872 211
<i>Net Financial Items</i>		<u>-16 549 648</u>	<u>-18 961 477</u>
<i>Result before taxes</i>		<u>56 792 023</u>	<u>38 905 825</u>
Taxes	5	0	0
<i>Result for the year</i>		<u>56 792 023</u>	<u>38 905 825</u>



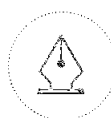
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KNOT Shuttle Tankers 32 AS
Balance Sheet as of 31. December

	Note	2022	2021
<u>Assets</u>			
<u>Fixed assets</u>			
Vessel	3	547 465 519	582 484 108
Accrued income	1	0	3 074 581
<i>Total Fixed Assets</i>		<u>547 465 519</u>	<u>585 558 689</u>
<u>Current Assets</u>			
Inventories	6	1 826 272	1 585 541
Receivables	11	1 925 698	2 375 816
Current receivables group		1 349	20 722
Bank deposits	7	37 723 945	49 329 666
<i>Total Current Assets</i>		<u>41 477 263</u>	<u>53 311 745</u>
<i>TOTAL ASSETS</i>		<u>588 942 782</u>	<u>638 870 433</u>



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

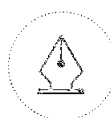
	Note	2022	2021
<u>Shareholders Equity and Liabilities</u>			
<u>Equity</u>			
Share capital		100 000	100 000
Share premium		14 430	14 430
Other paid-in equity		109 216 388	109 216 388
<i>Total capital paid-in</i>		109 330 818	109 330 818
Other equity		74 284 049	38 905 825
<i>Total Shareholders' Equity</i>	8, 9	183 614 867	148 236 644
<u>Long-Term Liabilities</u>			
Liabilities to financial institutions	10	396 926 133	437 929 448
<i>Total Long-Term Liabilities</i>		396 926 133	437 929 448
<u>Current Liabilities</u>			
Accounts payable	11	5 884 489	2 540 571
Accrued interest		526 355	1 390 155
Current liabilities group		756 531	7 904 731
Dividends		0	26 318 100
Other current liabilities		1 234 407	14 550 784
<i>Total Current Liabilities</i>		8 401 782	52 704 342
<i>Total liabilities</i>		405 327 915	490 633 790
<i>SHAREHOLDERS' EQUITY AND LIABILITIES</i>		588 942 782	638 870 433

Haugesund, March 13, 2023,

Trygve Seglem
chairman of the board

Karl Gerhard Bråstein Dahl
member of the board

Takashi Domyo
member of the board



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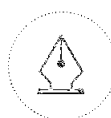


KNOT Shuttle Tankers 32 AS

CASHFLOW STATEMENT

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

	2022	2021
Result before tax	56,792,023	38,905,825
+ Ordinary depreciation	35,018,589	37,256,624
+Accrued income	3,074,581	6,649,642
-/+ Profit/loss on foreign exchange liabilities to fin. institutions	6,023,621	1,483,381
+ Financial expenses - liabilities to financial institutions	1,182,723	2,125,894
= Total generated from operations	102,091,537	86,421,365
+ Net received on current assets	228,761	-1,097,777
+ Net received on current liabilities	-17,984,460	12,979,048
Net cashflow from operations	84,335,838	98,302,636
<u>Cashflow from investments</u>		
Performed class renewal with drydocking	0	-84,918
Net cashflow from investments	0	-84,918
<u>Cashflow from financing</u>		
Proceeds from liabilities to financial institutions	0	453,148,279
Paid debt issuance costs	0	-5,054,128
Repayment of liabilities to financial institutions	-48,209,659	-437,366,122
Dividend paid-out	-47,731,900	-82,930,050
Net cashflow from financing	-95,941,559	-72,202,021
Net cashflow for the year	-11,605,721	26,015,698
+ Bank deposits per 01.01.	49,329,666	23,313,969
= Bank deposits per 31.12.	37,723,945	49,329,666



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KNOT SHUTTLE TANKERS 32 AS

Notes to the Financial Statement 31.12.2022

Accounting Principles

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

Transactions in Foreign Currency

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

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

Related party transactions

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

1 Contracts

The current time charter for the Brasil Knutsen with Galp Sinopec Brazil Services B.V. ("Galp") expired in November 2022; however, the company has entered into a new time charter contract with Petrogal S.A., in direct continuation, for a period of one year, extending the vessel's firm employment to November 2023.

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

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

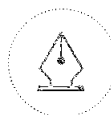
2 Employees and remuneration

The company has no employees and thereby no pension liabilities (under the new OTP regulation). The company hires the crew from Knutsen OAS Shipping AS in accordance with a separate management agreement.

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

Auditors remuneration (excl. VAT):

	2022	2021
Audit	40,103	18,819
Other services besides audit	0	0
	40,103	18,819



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3 **Fixed Assets**

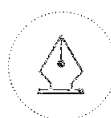
The total cost of the vessel is capitalised at delivery and depreciated linearly to estimated net sales price at the end of estimated economic life. Normal economic life of shuttle tankers is estimated to 23 years from delivery as newbuilding. We use extended life or reduced life if there are commercial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

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

Vessel	2022	2021
Historical value 1.1.	732,341,359	732,341,359
Accumulated depreciation 1.1.	155,536,249	122,524,603
Book value 1.1.	576,805,110	609,816,756
Annual depreciation	31,009,884	33,011,646
Book value 31.12.	545,795,226	576,805,110
Dry-docking	2022	2021
Capitalised dry-docking	21,259,527	21,174,609
Accumulated depreciation dry-docking 1.1.	15,580,529	11,335,551
Capitalised dry-docking 1.1.	5,678,998	9,839,058
Additions/Disposals	0	84,918
Annual depreciation	4,008,705	4,244,978
Book value 31.12.	1,670,293	5,678,998
Total book value vessel 31.12.	547,465,519	582,484,108

4 **Financial Income and -Expenses**

	2022	2021
Financial Income:		
Dividend	0	72,994
Realized gain currency swaps	1,056,500	0
Other interest income	532,256	2,762
Total financial income	1,588,756	75,757
Financial expenses:		
Interest expenses	19,238,994	19,422,853
Guarantee cost to related parties	2,341,243	2,080,346
Other financial expenses	207,142	369,011
Total financial expenses	21,787,380	21,872,211



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5 Tax

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

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

Specification on the temporary differences:

	<u>31.12.2022</u>	<u>Change</u>	<u>31.12.2021</u>
Loss carried forward	-33,373,479	-2,759,067	-30,614,412
Basis for deferred tax (benefit)	-33,373,479	-2,759,067	-30,614,412
Deferred tax (benefit)	0	0	0

Deferred tax assets are only recognized to the extent that it is more probable than not that these will be utilized in the future.

Taxable result tonnage tax scheme:

	<u>2022</u>	<u>2021</u>
Net financial Items	-16,549,648	-18,961,477
Non-taxable currency gain	-3,727,305	-3,852,704
Non-deductible interest	18,500,431	12,092,067
Foreign exchange rate contracts	-982,545	0
Deductible financial items	0	-70,805
Taxable income before loss carried forward	-2,759,067	-10,792,919
Loss carried forward	-2,759,067	-10,792,919
Taxable income	0	0
Tax payable	0	0
Change in deferred tax	0	0
Tax expense	0	0
Tonnage tax expenses under operating expenses	146,248	157,640

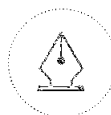
6 Inventories

Specification of inventories per 31.12.

	<u>2022</u>	<u>2021</u>
Lube oil	1,826,272	1,585,541
Total inventory	1,826,272	1,585,541

7 Bank deposits

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



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8 Equity

Specification of the equity per 31.12.

	Share capital	Share premium	Additional paid-in capital	Other equity	Total equity
Equity 01.01.	100,000	14,430	109,216,388	38,905,825	148,236,644
Extraordinary dividend paid-out	0	0	0	-21,413,800	-21,413,800
Result for the year	0	0	0	56,792,023	56,792,023
Equity 31.12.	100,000	14,430	109,216,388	74,284,049	183,614,867

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

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

9 Shares Owned by Board Members and Affiliates

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

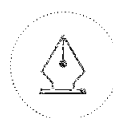
10 Mortgage Debt and Financial Instruments

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

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

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

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



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	Currency	Outstanding currency	Hedge accounting rate	Accounting balance	
				2022	2021
Mortgage debt	USD	47,730,127	8.3892	400,415,731	442,601,769
Debt issuance cost				-3,489,598	-4,672,321
Liabilities to financial institutions				396,926,133	437,929,448

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

Future income flows from anticipated fixed revenue contracts in the same currency as the financing exceed the debt at the balance sheet date. Therefore it is not recognized foreign exchange gains/losses on USD debt on the basis of the year-end exchange rate.

	2022	2021
Foreign exchange gain/-loss not taken over profit and loss (i.e. off-balance):	-72,427,545	-23,592,256

Amounts due within 12 months of the balance sheet date:

Mortgage debt	42,186,038	42,186,038
Debt issuance cost	-1,083,215	-1,182,720
Liabilities to financial institutions	41,102,823	41,003,318

Repayment profile: based on expected refinancing

0 - 12 months	5,028,636	5,028,636
13 - 24 months	5,028,636	5,028,636
25 - 36 months	5,028,636	5,028,636
37 - 48 months	5,028,636	5,028,636
49 - 60 months	5,028,636	5,028,636
After 60 months	22,586,947	27,615,783
	47,730,127	52,758,963

The exchange rate at the year-end	USDNOK	9.9066	8.8363
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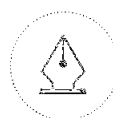
Security for the loan is made through a first priority mortgage in the vessels, assignment of earnings, assignment of insurances, bank accounts, factoring agreement, pledged shares in the company, guarantees from the owner, and undertakings from the manager.

Book value of mortgaged assets is NOK 589 million.

The company has entered into interest rate swap contracts to reduce the effects of exchange rate fluctuations. Hedge accounting has been applied for revenue in interest rate swap contracts - cash flow hedge. Fixed rate interest rate swaps are used as hedging instrument. The profit and loss impact of the hedging instrument is presented together with the hedged risk. This implies that realized gains/-losses on the interest rate swaps are presented as an reduction/increase of Interest expenses.

Future interest payments on the floating rate liabilities to financial institutions exceed the interest rate swaps notional amounts at the balance sheet date. Therefore it is not recognized mark to market gains/losses on fixed interest rate swaps on the basis of the year-end market interest rates. Inefficient part is immaterial and have not been taken into account.

	Currency	2022	2021
Outstanding fixed interest rate swaps	USD	50,000,000	50,000,000
Mark to market valuation	USD	2,693,860	-645,473



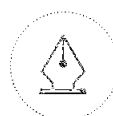
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11 Balances with related parties

	<u>2022</u>	<u>2021</u>
<u>Receivables</u>		
KNOT Management AS	0	64
Norspan LNG 16 AS	2,473	0
Knutsen OAS Shipping AS	0	646,391
	<u>2,473</u>	<u>646,455</u>
<u>Accounts payable</u>		
Knutsen OAS Shipping AS	485,987	179,537
Knutsen OAS Management AS	1,069	0
KNOT Shuttle Tankers 31 AS	48,961	0
Knutsen Produkt Tanker XII AS	0	1,264
Knutsen OAS Crewing AS	100,059	68,191
KNOT Management AS	2,660,483	229,791
	<u>3,296,559</u>	<u>478,783</u>



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KNOT Shuttle Tankers 32 AS

Opinion

We have audited the financial statements of KNOT Shuttle Tankers 32 AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

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

Responsibilities of management for the financial statements

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

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



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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 13 March 2023
ERNST & YOUNG AS

(The auditor's report is signed electronically)

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Independent auditor's report - KNOT Shuttle Tankers 32 AS 2022

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Johan Nordby

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