





KNOT
Offshore Partners LP

First Quarter 2015 Results

May 8, 2015





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Highligts & Recent Events

- For the first quarter of 2015, KNOT Offshore Partners L.P. (the “Partnership”):
  - Generated revenues of $36.2 million, operating income of $17.0 million and net income of $7.2 million
  - Generated Adjusted EBITDA(1) of $28.3 million and
  - Generated Distributable cash flow(1) of $16.4 million
- Strong operational performance with 99.8% utilisation for the fleet
- Declared a 4% increase in distribution to $0.51 per unit for the first quarter. This distribution reflects a Coverage ratio(1) of 1.36x
- Mr. John Costain has been appointed new CEO/CFO from June 1
- Due to his new position, Mr. Costain has resigned from the Board of the Partnership. Mr. Simon Bird has with effect from May 7, 2015 been appointed by the remaining elected directors as a new member of the Board.

(1) “Adjusted EBITDA” and “Distributable cash flow” are non-GAAP financial measures. Please see page 6 and 7 for definitions. “Coverage ratio” is defined in the table on page 10

Income Statement

- Strong operational performance
  - 99.8% utilization (1.0 days offhire)
- Revenues include
  - a non-cash item of approx. $0.9 million for Q1-15 and Q4-14
  - A non-cash item of approx. $0.5 million for Q1-14
- Derivatives include:
  - a realized loss of $1.0 million
    - On interest rate swaps
  - an unrealized loss of $4.6 million, whereof
    - $1.5m relates to foreign exchange contracts (NOK/USD)
    - $2.9 million relates to interest swaps

(USD in thousands)	Three months Ended March 31, 2015 (unaudited)	Three months Ended March 31, 2014 (unaudited)	Three months Ended December 31, 2014 (unaudited)
Time charter and bareboat revenues	36,071	21,766	34,655
Other income	149	8	28
Total revenues	**36,220**	**21,774**	**34,683**
Vessel operating expenses	6,807	4,597	7,357
Depreciation	11,400	6,780	10,559
General and administrative expenses	1,068	1,043	832
Total operating expenses	**19,275**	**12,420**	**18,748**
Operating income	**16,945**	**9,354**	**15,935**
Finance income (expense):			
Interest income	1	1	9
Interest expense	(4,186)	(2,713)	(4,688)
Other finance expense	(20)	(221)	(40)
Realized and unrealized gain on derivative instruments 2)	(5,623)	46	(5,239)
Net gain (loss) on foreign currency transactions	72	(24)	(54)
Total finance expense	**(9,756)**	**(2,911)**	**(10,012)**
Income (loss) before income taxes	**7,189**	**6,443**	**5,923**
Income tax benefit (expense)	(3)	(19)	(15)
Net income (loss) attributable to KNOT Offshore Partners LP Owners	**7,186**	**6,424**	**5,908**

Balance sheet

- Total unrestricted cash of $32.8 million
- Interest bearing debt at $604.6 million
  - Average credit margin paid in Q1-15 was 2.3%
  - Repayment profile 15.8 years
- Interest rate swaps totals $382.3 million
  - Average duration is 4.5 years
  - Fixed payable rates are between 1.25% and 2.42% with an average rate of 1.47%

Debt repayments

($m)	Instalments	Balloon
2015	30	-
2016	39	-
2017	39	-
2018	38	137
2019	18	270
2020+	27	7
	192	413

(USD in thousands)	At March 31, 2015 (unaudited)	At December 31, 2014 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	32,746	30,746
Other current assets	5,849	5,003
Long-term assets:		
Vessels and equipment	1,010,406	1,021,857
Goodwill	6,217	6,217
Deferred debt issuance cost	3,683	3,959
Derivative assets	370	2,966
Total assets	**1,059,271**	**1,070,748**
LIABILITIES AND PARTNERS' CAPITAL/OWNER'S EQUITY		
Current liabilities:		
Current installments of long-term debt	38,718	38,718
Derivative liabilities	8,967	7,450
Contract liabilities	1,518	1,518
Income taxes payable	137	362
Amount due to related parties	401	628
Other current liabilities	12,150	11,355
Long-term liabilities:		
Long-term debt, excluding current installment	553,924	562,503
Long-term debt from related parties	12,000	12,000
Derivative liabilities	483	0
Contract liabilities	10,896	11,275
Deferred tax liabilities	1,293	1,402
Other long-term liabilities	3,693	4,172
Total liabilities	**644,180**	**651,383**
Partner's capital Common unitholders	304,876	307,544
Subordinated unitholder	102,162	103,680
General Partner interest	8,053	8,141
Total Partner's capital	**415,091**	**419,365**
Total liabilities and equity	**1,059,271**	**1,070,748**

Distributable cashflow

(USD in thousands)	Three months Ended March 31, 2015 (unaudited)	Three months Ended December 31, 2014 (unaudited)
Net income	**7,186**	**5,908**
Add:		
Depreciation	11,400	10,559
Other non-cash items; deferred costs amortization debt	284	1,018
Unrealized losses from interest rate derivatives and forward exchange currency contracts	4,597	4,213
Less:		
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(6,175)	(5,747)
Deferred revenue	(858)	(858)
Distributable cash flow (A)	**16,434**	**15,093**
Total distributions (B)	**12,053**	**11,460**
Coverage ratio (A/B)	**1.36X**	**1.32X**

Distributable Cash Flow ("DCF")

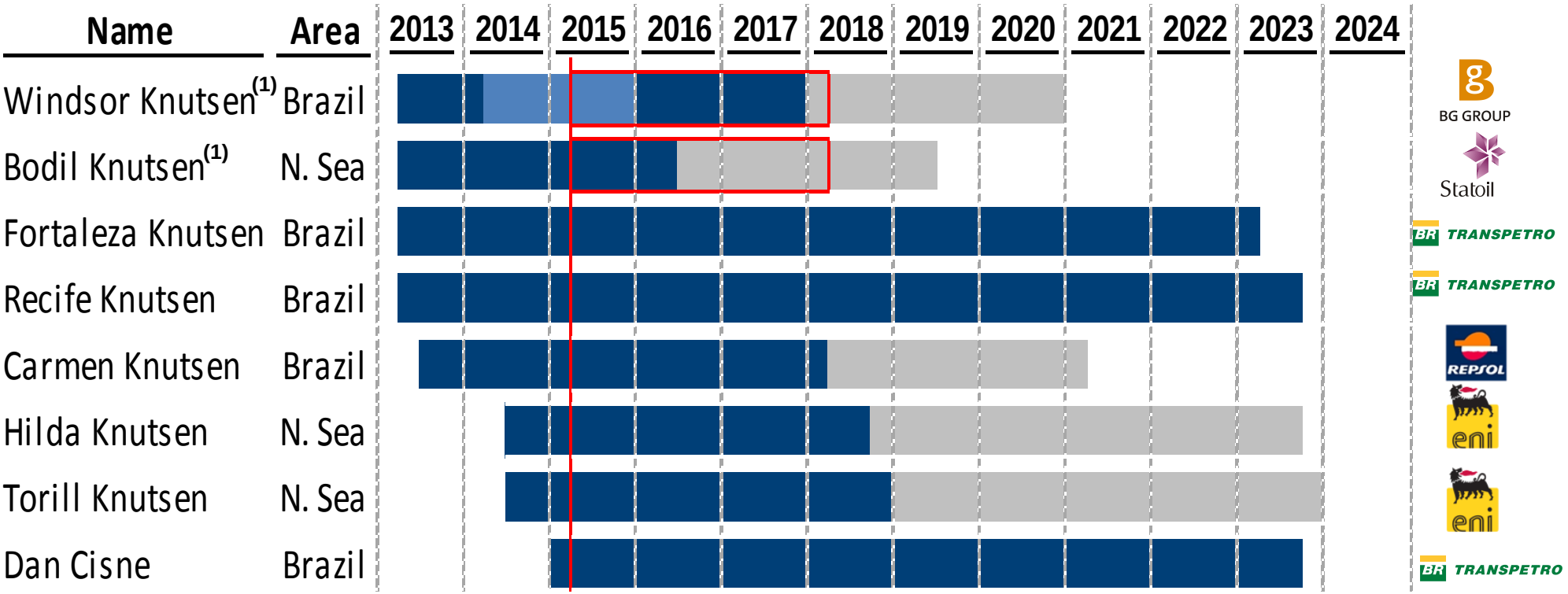
Distributable cash flow represents net income adjusted for depreciation and amortization, unrealized gains and losses from derivatives, unrealized foreign exchange gains and losses, other non-cash items and estimated maintenance and replacement capital expenditures. Estimated maintenance and replacement capital expenditures, including estimated expenditures for drydocking, represent capital expenditures required to maintain over the long-term the operating capacity of, or the revenue generated by our capital assets. Distributable cash flow is a quantitative standard used by investors in publicly-traded partnerships to assist in evaluating a partnership's ability to make quarterly cash distributions. Distributable cash flow is a non-GAAP financial measure and should not be considered as an alternative to net income or any other indicator of KNOT Offshore Partners' performance calculated in accordance with GAAP. The table below reconciles distributable cash flow to net income, the most directly comparable GAAP measure.

Adjusted EBITDA

(USD in thousands)	Three months Ended March 31, 2015 (unaudited)	Three months Ended December 31, 2014 (unaudited)
Net income	**7,186**	**5,908**
Interest income	(1)	(9)
Interest expenses	4,186	4,688
Depreciation	11,400	10,559
Income tax (benefits) expense	3	15
EBITDA	22,774	21,161
Other financial items	5,571	5,333
Adjusted EBITDA	**28,345**	**26,494**

- Adjusted EBITDA refers to earnings before interest, other financial items, taxes, non-controlling interest, depreciation and amortization. Adjusted EBITDA is a non-GAAP financial measure used by investors to measure our performance.
- The Partnership believes that Adjusted EBITDA assists its management and investors by increasing the comparability of its performance from period to period and against the performance of other companies in its industry that provide Adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, other financial items, taxes and depreciation and amortization, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. The Partnership believes that including Adjusted EBITDA as a financial measure benefits investors in (a) selecting between investing in the Partnership and other investment alternatives and (b) monitoring the Partnership's ongoing financial and operational strength in assessing whether to continue to hold common units. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as an alternative to net income or any other indicator of Partnership performance calculated in accordance with GAAP. The table below reconciles Adjusted EBITDA to net income, the most directly comparable GAAP measure.

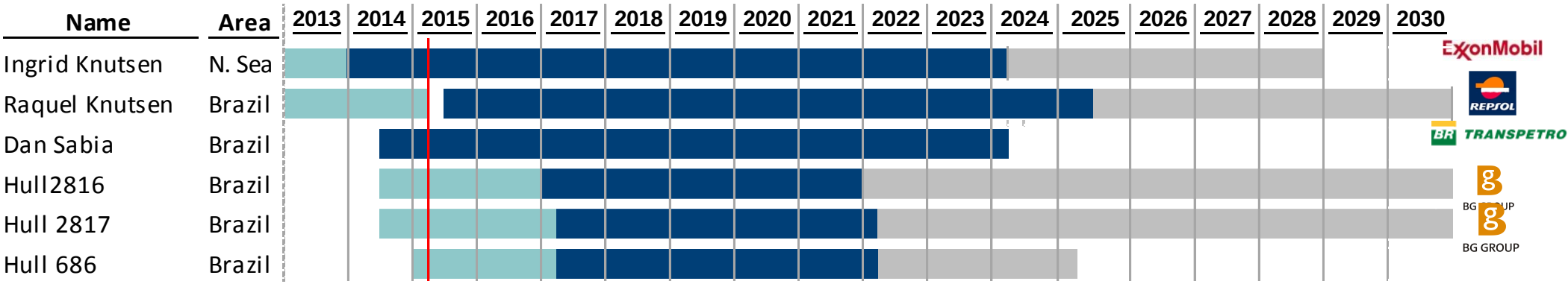
Long-term Contracts Backed by Leading Energy Companies



KNOP fleet has average remaining fixed contract duration of 5.1(2) years
Additional 2.1years in average in Charterers option

(1) KNOT has guaranteed revenue level to April 2018 (five years from IPO date)
(2) Remaining contract life is calculated as of 03/31/2015.

Dropdown inventory: Six potential acquisitions



Fixed contract periods for the dropdown fleet are 7.1 years in average

Charterers also have the option to extend these charters by 7.7 years on average

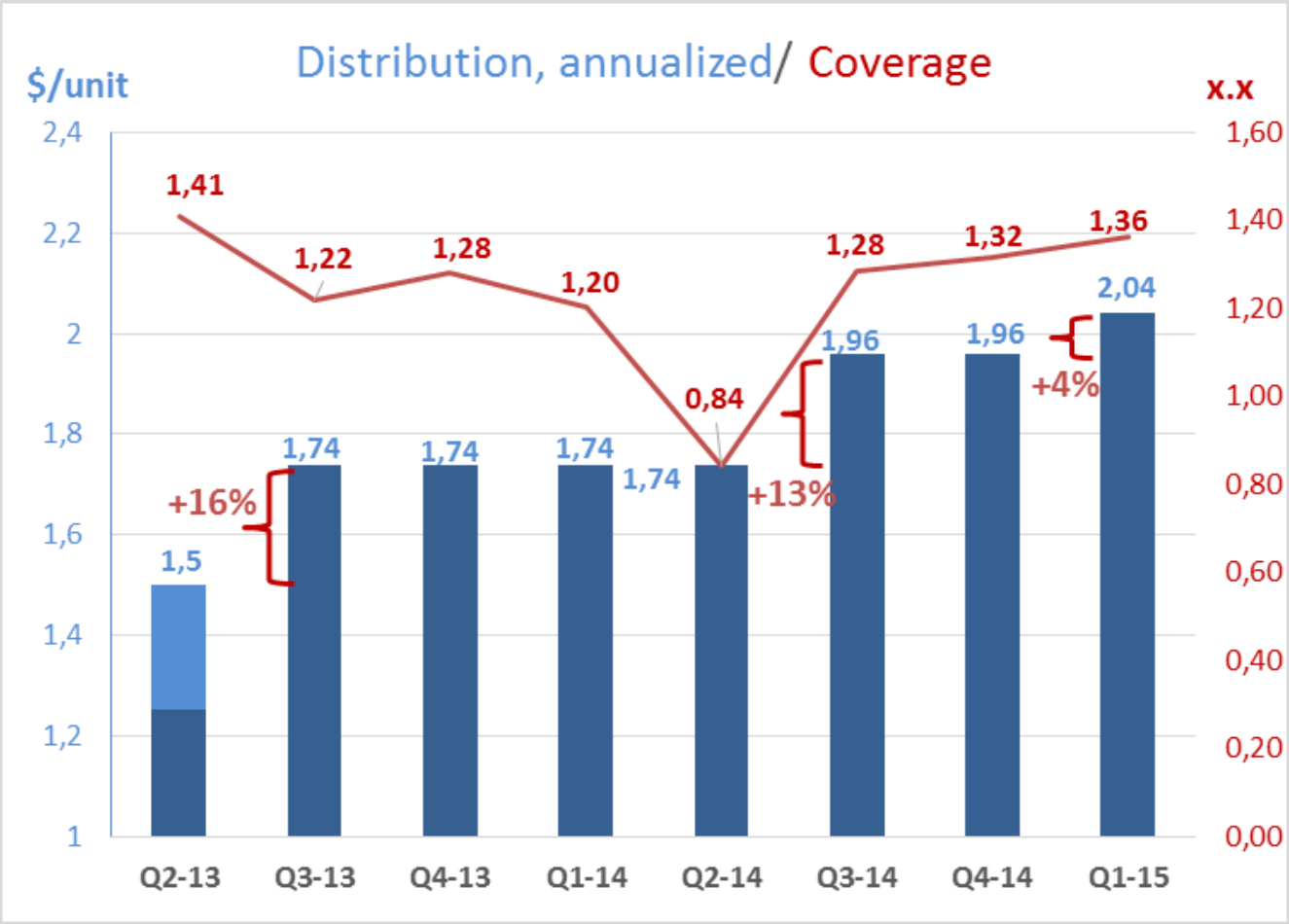
Q1-15: Full effect of the *Dan Cisne* acquisition

KNOT Offshore Partners LP Selected Quarterly Figures		Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15
Revenues	$ million	17,3	20,5	22,2	21,8	22,1	34,3	34,7	36,2
Operating income	$ million	7,4	9,4	10,0	9,4	9,6	15,5	15,9	16,9
Net Income	$ million	4,5	6,4	7,9	6,4	2,5	12,6	5,9	7,2
EBITDA, adjusted*	$ million	12,7	15,7	16,8	16,1	16,3	25,7	26,5	28,3
Distributable cashflow* (A)	$ million	7,7	9,3	9,8	9,2	8,1	14,7	15,1	16,4
Distributions (B)	$ million	5,5	7,6	7,6	7,6	9,7	11,5	11,5	12,1
Coverage ratio (A)/(B)	x	1,41x	1,22x	1,28x	1,20x	0,84x	1,28x	1,32x	1,36x
Distributions/ common unit	$/unit	0,31320	0,435	0,435	0,435	0,435	0,490	0,490	0,51
Units, issued average	# million		17,5	17,5	17,5	17,6	22,7	22,8	22,8
Units issued, end	# million	17,5	17,5	17,5	17,5	22,2	22,8	22,8	22,8
# vessels, average	#	4,0	4,7	5,0	5,0	5,0	7,0	7,2	8,0
# vessels, end	#	4,0	5,0	5,0	5,0	7,0	7,0	8,0	8,0
Offhire	days	0,0	3,4	3,5	2,7	1,5	7,4	1,9	1,0
Offhire % of Timecharter days	%	0,0%	1,4%	1,3%	1,0%	0,5%	1,6%	0,4%	0,2%

* See definitions of these non-GAAP financial measures on Page 6 and Page 7

- Operation has been better than forcasted since the IPO
- Earnings on the EBITDA level has been stable for comparable fleet
- Coverage ratio consistently high
  - Dip in Q2-13 - distribution to newly issued units without corresponding earnings (1,11x in Q2-14 excluding new units)

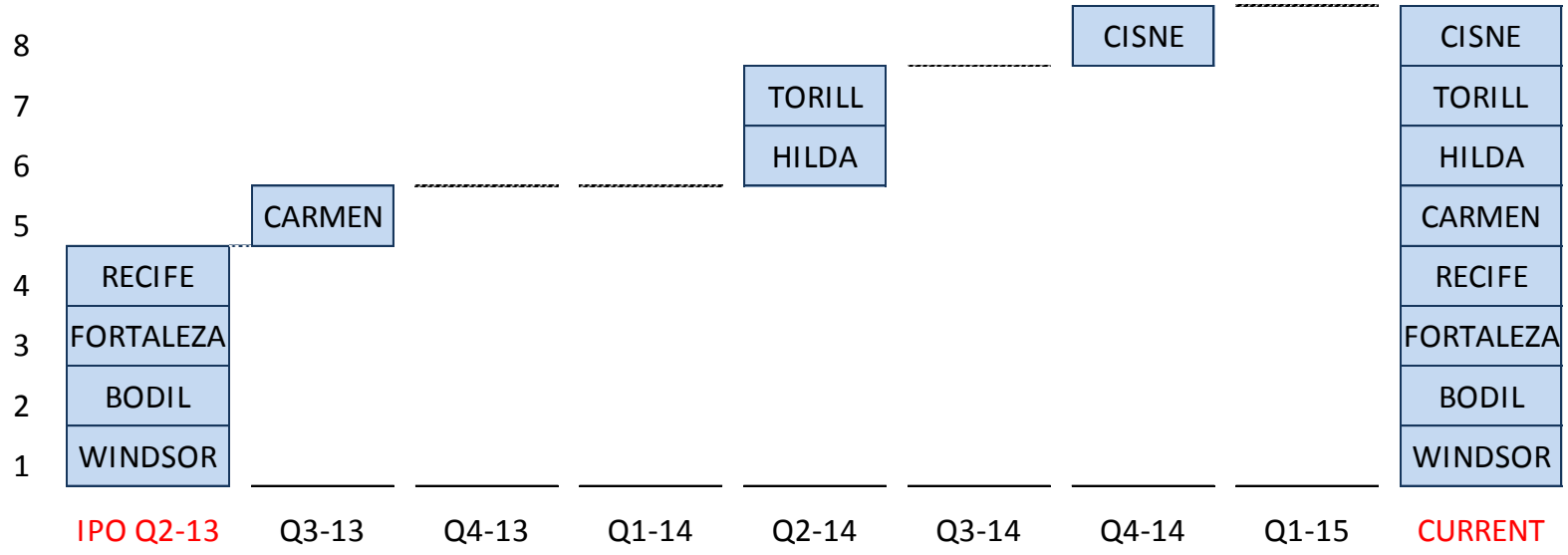
Distribution for Q1-15 will be up 36%* from MQD



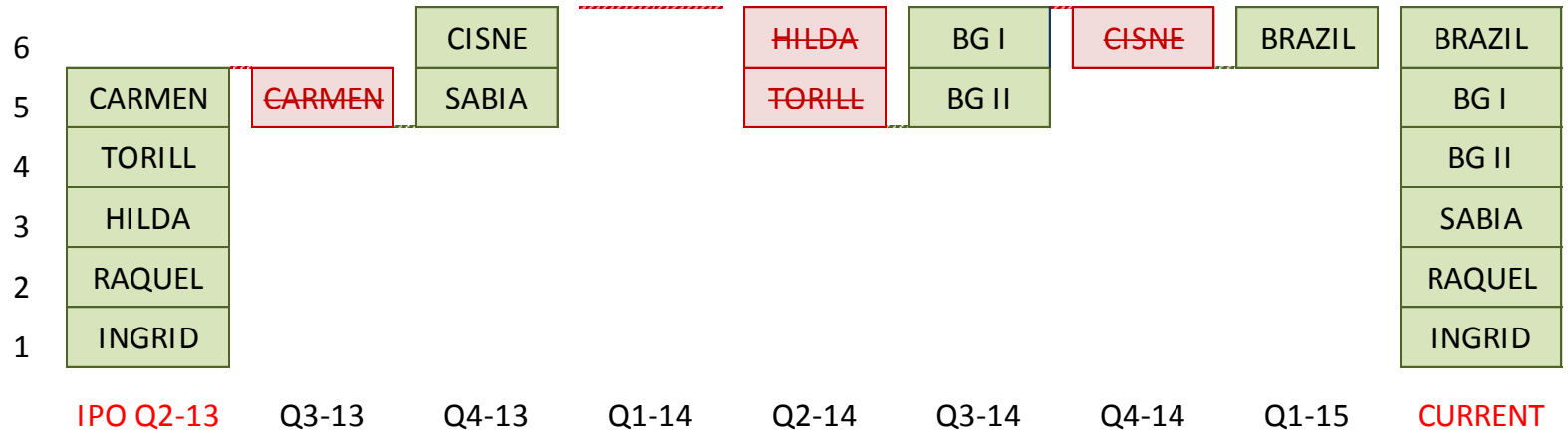
- Q1-15 distribution is up 4% over Q4-14 distribution
  - Implied a coverage of 1.36x of distributable cashflow
- At the IPO in April 2013, the Partnership expected a distribution growth averaging 10% to 15% annually in the first three years period

Since IPO in April 2013:
Fleet from Four to Eight Vessels, Dropdown Potential from Five to Six

KNOP FLEET DEVELOPMENT



KNUTSEN NYK DROPDOWN INVENTORY



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Thank you, any questions ?



