KNOT
Offshore Partners LP

First Quarter 2017 Results

May 17, 2017

Notice to Recipients

This presentation is not a prospectus and is not an offer to sell, nor a solicitation of an offer to buy, securities. This presentation contains certain forward-looking statements concerning future events and KNOT Offshore Partners LP's ("KNOP") operations, performance and financial condition. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," "plan," "intend" or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond KNOP's control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements include statements with respect to, among other things: market trends in the shuttle tanker or general tanker industries, including hire rates, factors affecting supply and demand, and opportunities for the profitable operations of shuttle tankers; the ability of Knutsen NYK Offshore Tankers AS ("Knutsen NYK") and KNOP to build shuttle tankers and the timing of the delivery and acceptance of any such vessels by their respective charterers; forecasts of KNOP ability to make or increase distributions on its common units and make distributions on its Series A Preferred Units and the amount of any such distributions; KNOP's ability to integrate and realize the expected benefits from acquisitions, including the acquisition of the entity that owns the *Tordis Knutsen* and the intended acquisition of the entity that owns the *Vigdis Knutsen* ("KNOT 25"); the estimated net income and estimated EBITDA relating to the intended acquisition of KNOT 25 for the twelve months following the closing of the acquisition; KNOP's ability to consummate the second private placement of its Series A Preferred Units; KNOP's anticipated growth strategies; the effects of a worldwide or regional economic slowdown; turmoil in the global financial markets; fluctuations in currencies and interest rates; fluctuations in the price of oil; general market conditions, including fluctuations in hire rates and vessel values; changes in KNOP's operating expenses, including drydocking and insurance costs and bunker prices; KNOP's future financial condition or results of operations and future revenues and expenses; the repayment of debt and settling of any interest rate swaps; KNOP's ability to make additional borrowings and to access debt and equity markets; planned capital expenditures and availability of capital resources to fund capital expenditures; KNOP's ability to maintain long-term relationships with major users of shuttle tonnage; KNOP's ability to leverage Knutsen NYK's relationships and reputation in the shipping industry; KNOP's ability to purchase vessels from Knutsen NYK in the future; KNOP's continued ability to enter into long-term charters, which KNOP defines as charters of five years or more; KNOP's ability to maximize the use of its vessels, including the re-deployment or disposition of vessels no longer under long-term charter; the financial condition of KNOP's existing or future customers and their ability to fulfill their charter obligations; timely purchases and deliveries of newbuilds; future purchase prices of newbuilds and secondhand vessels; any impairment of the value of KNOP's vessels; KNOP's ability to compete successfully for future chartering and newbuild opportunities; acceptance of a vessel by its charterer; termination dates and extensions of charters; the expected cost of, and KNOP's ability to, comply with governmental regulations, maritime self-regulatory organization standards, as well as standard regulations imposed by its charterers applicable to KNOP's business; availability of skilled labor, vessel crews and management; KNOP's general and administrative expenses and its fees and expenses payable under the technical management agreements, the management and administration agreements and the administrative services agreement; the anticipated taxation of KNOP and distributions to KNOP's unitholders; estimated future maintenance and replacement capital expenditures; KNOP's ability to retain key employees; customers' increasing emphasis on environmental and safety concerns; potential liability from any pending or future litigation; potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists; future sales of KNOP's securities in the public market; KNOP's business strategy and other plans and objectives for future operations; and other factors listed from time to time in the reports and other documents that KNOP files with the U.S Securities and Exchange Commission ("SEC"), including its Annual Report on Form 20-F for the year ended December 31, 2016.

All forward-looking statements included in this presentation are made only as of the date of this presentation. New factors emerge from time to time, and it is not possible for KNOP to predict all of these factors. Further, KNOP cannot assess the impact of each such factor on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. KNOP does not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in KNOP's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

Highlights of an eventful first quarter

- The Partnership generated total revenues of $45.0 million, operating income of $17.5 million and net income of $11.4 million.
- Generated Adjusted EBITDA[1] of $33.2 million and distributable cash flow[1] of $15.6 million.
- Fleet operated with 98.6% utilization[2] for scheduled operations and 93.2% utilization taking into account all offhire, including the planned drydocking of the *Windsor Knutsen*, which was completed within 54.1 days.
- On January 10, 2017, the Partnership sold 2,500,000 common units in a public offering, raising total net proceeds of $54.9 million.
- On February 2, 2017, the Partnership issued and sold in a private placement 2,083,333 Series A Convertible Preferred Units ("Series A Preferred Units") at a price of $24.00 per unit.
- On March 1, 2017, the Partnership completed the acquisition of the entity that owns the *Tordis Knutsen*
- March 31, 2017, the Partnership entered into a loan agreement for a refinancing of the credit facility secured by the *Hilda Knutsen.* The refinancing expected to close by the end of May.
- May 15, 2017, the Partnership paid a cash distribution of $0.52 per Common Unit and $0.3093 per Series A Preferred Unit with respect to the quarter ended March 31, 2017.
- On May 16, 2017, the Partnership entered into an agreement to issue and sell an additional 1,666,667 Series A Preferred Units at a price of $24.00 per unit in a private placement, which is expected to close by June 30, 2017, subject to customary closing conditions.
- On May 16, 2017, the Partnership's wholly owned subsidiary, KNOT Shuttle Tankers AS, entered into a share purchase agreement with Knutsen NYK to acquire KNOT Shuttle Tankers 25 AS ("KNOT 25"), the company that owns the shuttle tanker, *Vigdis Knutsen*, from Knutsen NYK (the "Acquisition"). The Partnership expects the Acquisition to close by June 1, 2017, subject to customary closing conditions.

(1) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures used by management and external users of our financial statements. Please see Appendix A for definitions of Adjusted EBITDA and distributable cash flow and a reference to reconciliation to net income, the most directly comparable GAAP financial measure.
(2) Utilization rate takes into account 14 deductible days of offhire for the Raquel Knutsen.

Raising additional $ 40 million of preferred equity to fund further growth of the Partnership

- On February 2, 2017, the Partnership issued and sold in a private placement 2,083,333 Series A Preferred Units at a price of $24.00 per unit raising net proceeds of about $ 48.6 million to an affiliate of Offshore Merchant Partners
- On May 16, 2017, the Partnership entered into an agreement to issue and sell an additional 1,666,667 Series A Preferred Units at a price of $24.00 per unit in a private placement, which is expected raise net proceeds of about $ 38.8 million and to close by June 30, 2017, subject to customary closing conditions
- The Series A Preferred Units will pay cumulative quarterly distributions equal to 8% of the issue price and will generally be convertible into common units after two years at an adjustable conversion rate which depends on the development in the book value of the Partnership
- Purchasers of the Series A Preferred Units are large international funds located in three different continents. Pierfront Capital is a portfolio company of Temasek, a $ 175 billion investment company owned by the Singapore Government and the Japanese bank Sumitomo Mitsui Banking Corporation while Tortoise is a US investment management company with about $17bn under management.
- The $ 40 million enables the Partnership to consider an additional drop-down in the second half of 2017 on top of the two drop-downs which has already been announced. This is one additional vessels compared to our financial guidance at Investor Day

OFFSHORE MERCHANT PARTNERS

PIERFRONT CAPITAL

Tortoise Capital Advisors

Income Statement

Unaudited, USD in thousands	1Q 2017	4Q 2016	1Q 2016	FY 2016
Time charter and bareboat revenues	43,747	44,798	41,826	172,878
Loss of hire insurance recoveries	1,150	—	—	
Other income	95	197	200	793
Total revenues	**44,992**	**44,995**	**42,026**	**173,671**
Vessel operating expenses	10,282	7,693	7,647	30,903
Depreciation	15,753	14,505	13,892	56,230
General and administrative expenses	1,469	1,207	1,308	4,371
Total operating expenses	**27,504**	**23,405**	**22,847**	**91,504**
Operating income	**17,488**	**21,590**	**19,179**	**82,167**
Interest income	36	15	2	24
Interest expense	(6,215)	(5,654)	(5,029)	(20,867)
Realized and unrealized gain (loss) on derivative instruments	519	3,960	(3,184)	1,213
Other financial items[1]	(396)	(430)	(302)	(1,450)
Income before income taxes	**11,432**	**19,481**	**10,666**	**61,087**
Income tax benefit (expense)	(3)	24	(3)	15
Net income	**11,429**	**19,505**	**10,663**	**61,102**

(1) Other financial items consist of other finance expenses and net gain (loss) on derivative instruments

Adjusted EBITDA

Unaudited, USD in thousands	1Q 2017	4Q 2016	1Q 2016	FY 2016
Net income	**11,429**	**19,505**	**10,663**	**61,102**
Interest income	(36)	(15)	(2)	(24)
Interest expense	6,215	5,654	5,029	20,864
Depreciation	15,753	14,505	13,892	56,230
Income tax (benefits) expense	3	(24)	3	(15)
EBITDA(1)	33,364	39,625	29,585	138,157
Other financial items(2)	(123)	(3,530)	3,486	237
Adjusted EBITDA(1)	**33,241**	**36,095**	**33,071**	**138,394**

(1) EBITDA and Adjusted EBITDA are non-GAAP financial measures used by management and external users of ur financial statements. Please see Appendix A for definitions of EBITDA and Adjusted EBITDA.
(2) Other financial items consist of other finance expense, realized and unrealized gain (loss) on derivative instruments and net gain (loss) on foreign currency transactions.

Windsor Knutsen special survey according to plan

- *Windsor Knutsen* carried out its 10 year special survey in drydock at Brest yard in France
  - Yard stay of about 17 days
- Capex and off-hire in line with budget and schedule
- Off-hire in relation to special survey was 54.1 days which includes the ballast legs from Brazil to France
- Vessel back on its time charter with Shell on 4 April, but credited about 3 days by the Charterer for sea testing

We have a comprehensive insurance package for all our vessels

- In order to mitigate the economic costs of any incident which can result in damage and/or off-hire, the Partnership has put in place a comprehensive insurance package with a diverse group of investment-grade insurance companies
  - The large majority of which are rated A- or better by S&P and A.M. Best Company
- Bareboat charterers undertake to fully insure the vessel they lease from us at their own costs in order to protect us from any economic loss
- The failure of the controllable pitch propeller (CPP) of *Raquel Knutsen* with resulting off-hire in relation to repair and ballast is therefore is expected to result in a economic loss of $0.85m for the Partnership ($0.7m loss of hire and $0.15m H&M excess) while $ 1.3 million has been booked as expense in the first quarter
- Our time charter vessels generally have the following policies:
  - Hull and machinery (H&M) – covers loss of or damage to the vessel due to marine perils, such as collisions, grounding and the weather
  - Protection and indemnity (P&I) – Indemnifies against liabilities incurred while operating the Vessel, including injury to the crew and third parties, cargo loss, property damage and pollution
  - War risk – Covers loss of damage to the vessel due to war perils, including total loss and damage, collision liability and hull interest / freight interest
  - Loss of Hire – in excess of 14 days and up to 180 days per incident

Distributable cash flow

Unaudited, USD in thousands	1Q 2017	4Q 2016	1Q 2016	FY 2016
Net income	**11,429**	**19,505**	**10,663**	**61,102**
Add:				
Depreciation	15,753	14,505	13,892	56,230
Other non-cash items; deferred costs amortization debt	348	315	287	1,198
Unrealized losses from interest rate derivatives and foreign exchange currency contracts	—	2,911	4,348	8,867
Less:				
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(9,120)	(8,100)	(7,894)	(31,786)
Distribution to Convertible Preferred Units	(645)	—	—	—
Other non-cash items; deferred revenue and accrued income	(875)	(983)	(1,319)	(4,300)
Unrealized gains from interest rate derivatives and foreign exchange currency contracts	(1,258)	(7,375)	(2,089)	(13,900)
Distributable cash flow(1)	**15,632**	**20,778**	**17,888**	**77,412**
Total distributions	**16,379**	**16,379**	**15,095**	**61,528**
Distribution coverage ratio(2)	**0.95X**	**1.27X**	**1.19X**	**1.26X**

(1) Distributable cash flow is a non-GAAP financial measure used by management and external users of our financial statements. Please see Appendix A for a definition of distributable cash flow.

(2) Distribution coverage ratio is equal to distributable cash flow divided by distributions declared for the period presented.

Balance sheet

Unaudited, USD in thousands	At March 31, 2017	At December 31, 2016		At March 31, 2017	At December 31, 2016
Current assets:			**Current liabilities**		
Cash and cash equivalents	34,851	27,664	Current portion of long-term debt	58,872	58,984
Inventories	1,725	1,176	Derivative liabilities	4,446	3,304
Other current assets	3,892	2,239	Contract liabilities	1,518	1,518
			Other current liabilities	24,273	13,831
Total current assets	**40,468**	**31,079**	**Total current liabilities**	**89,109**	**77,637**
			Long-term liabilities:		
			Long-term debt	722,287	657,662
			Long-term debt related parties	—	25,000
			Derivative liabilities	426	285
Long-term assets:			Contract liabilities	7,860	8,239
Net vessels and equipment	1,391,039	1,256,889	Deferred tax liabilities	690	685
Intangible assets, net	1,443	—	Other long-term liabilities	684	1,056
Derivative assets	7,043	3,154	**Total liabilities**	**821,056**	**770,564**
Accrued income	1,302	1,153	**Convertible Preferred Units**	**49,259**	
Total long-term assets	**1,400,827**	**1,261,196**	**Total partners' equity**	**570,980**	**521,712**
Total assets	**1,441,295**	**1,292,275**	**Total equity and liabilities**	**1,441,295**	**1,292,275**

Pending - Vigdis Knutsen drop-down

Vigdis Knutsen

Purchase price[2]	USD 147.0 million
Less debt	USD 94.9 million
Equity	USD 52.1 million[2]

Contract detail

- Charterer: Royal Dutch Shell [1]
- Contract type: Time Charter
- Contract end date: April 2022
- Option period: two consecutive 5 years extension options
- Trading area: Brazil
- Estimated NTM EBITDA[1]: 16.2 million
- Estimated NTM net income[1]: $7.7

Vigdis Knutsen

- Delivered: February 2017
- Enhanced DP 2 Suezmax
- DWT: 156 559
- Builder: Hyundai Heavy Industries

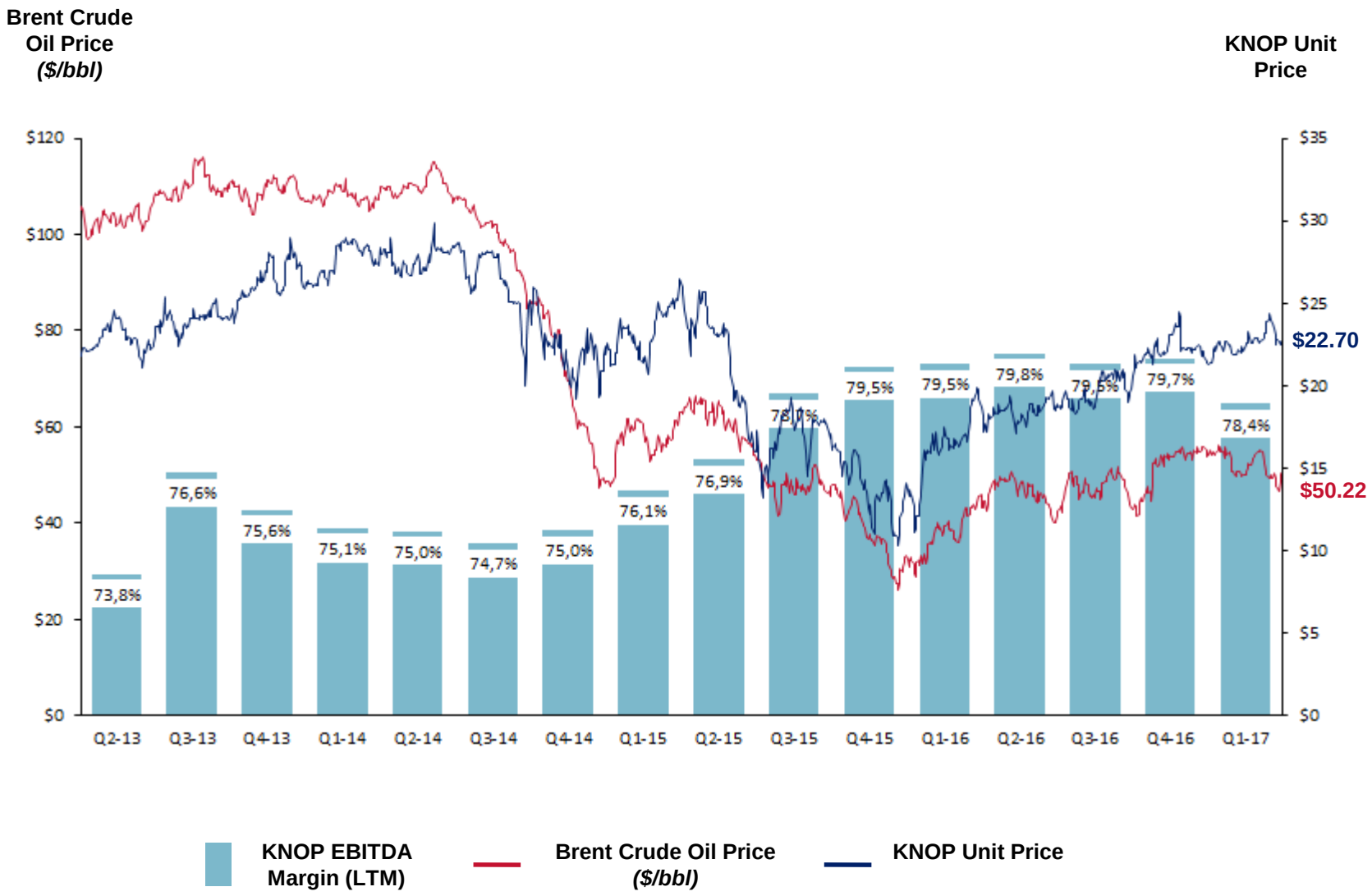
Attractive long-term financing:

- Term Loan Facility due first quarter 2022 with 19 years repayment profile and balloon payment of $ 70.5 million
- Margin of 190bps

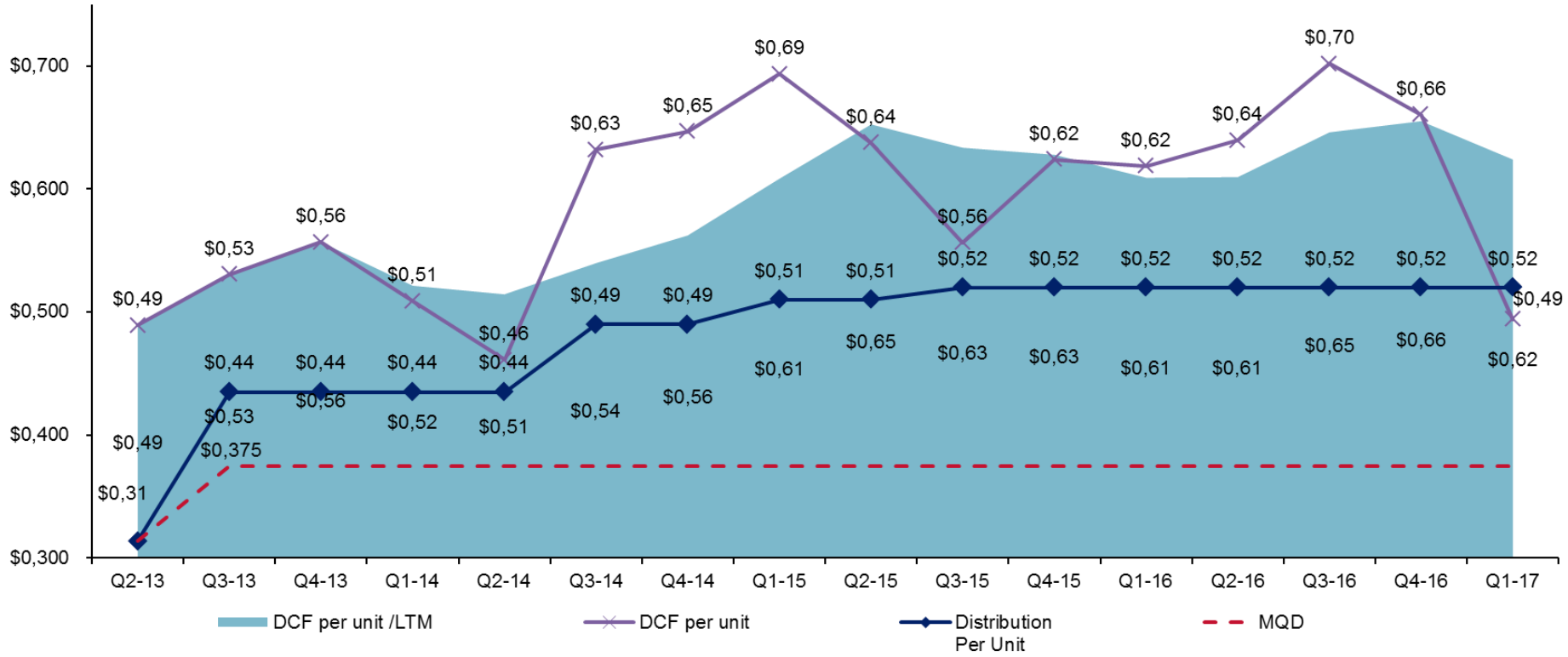
(1) Brazil Shipping I Ltd, a subsidiary of Royal Dutch Shell

(1) For the first 12 months after the closing. EBITDA, which represents earnings before interest, taxes and depreciation, is a non-GAAP financial measure used by management and external users of our financial statements. Please see Appendix A for guidance on the underlying assumptions used to derive estimated EBITDA and estimated net income, and a reconciliation of estimated EBITDA to estimated net income the most directly comparable GAAP financial measure. .
(2) Subject to post-closing adjustments for working capital, interest rate swaps, certain intercompany balances and $0.9 million of capitalized fees related to financing of the Vessel.

Our contracts are fixed price - not fixed to price of oil



Stable and long-term sustainable distribution policy



- Average Distribution Coverage Ratio of 1.18x since IPO
- Q1 affected by scheduled drydocking of Windsor, Raquel offhire and somewhat equity overhang as there is a delay in investing proceeds from equity offerings
- Coupon for preferred equity is deducted from the available DCF

The Hilda Knutsen refinancing marks the start of refinancing activity

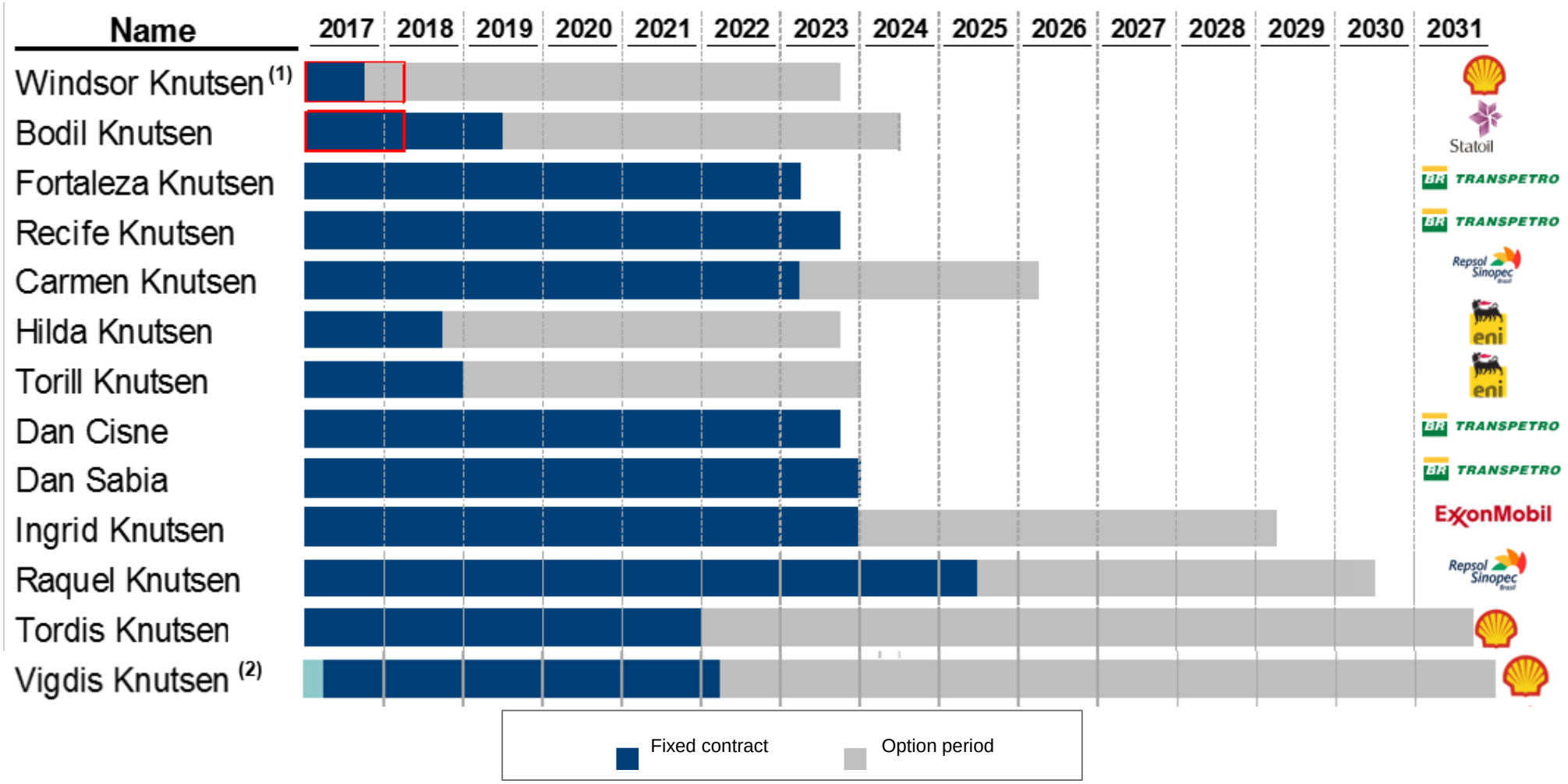
Maturity	2018				2019				2021		2023/2024		2025	
Type of loan	TLF	TLF	TLF	TLF Bank	TLF	RCF	RCF	TLF	TLF	TLF	TLF	TLF	TLF	TLF ECA
Vessel security	Hilda	Hilda	Torill	Ingrid	Windsor, Bodil, Carmen	Windsor, Bodil, Carmen	Windsor, Bodil, Carmen	Fortaleza, Recife	Tordis	Vigdis	Dan Cisne	Dan Sabia	Raquel	Ingrid
Borrowing amount	$100,0	$89,2	$90,4	$22,4	$220,0	$20,0	$15,0	$140,0	$94,8	$94,8	$58,8	$57,0	$75,0	$55,1
Utilised 31 March 2017	$0,0	$75,6	$76,9	$20,4	$176,8	$5,0	$0,0	$115,9	$94,8	N/A	$49,7	$50,9	$72,3	$47,3
Unitilised 31 March 2017	N/A	N/A	N/A	N/A	N/A	$15,0	$16,0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maturity	April-24	August-18	October-18	December-18	June-19	June-19	June-19	June-19	November-21	February-22	September-23	January-24	March-25	November-25
Balloon amount	$58,5	$68,3	$68,3	$18,4	$145,4	$20,0	$15,0	$98,4	$72,1	$70,8	$6,5	$6,5	$30,5	$0,0
Interest type	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Fixed
Margin (bps)	220,0	250,0	250,0	225,0	212,5	212,5	250,0	212,5	190,0	190,0	240,0	240,0	200,0	Fixed 385bps

- The existing $ 75.6m *Hilda Knutsen* loan due August 2018 was on 30 March refinanced with a new $ 100m bank loan with Mitsubishi UFJ Lease & Finance (Hong Kong) Limited with maturity stretched to 2024 at attractive terms(1)
- The Partnership will during second half of 2017 seek refinancing of the *Torill Knutsen* and *Ingrid Knutsen* loans which are due end of 2018

ABN·AMRO
CommonwealthBank
EKSPORTKREDITT Export Credit Norway
MUFG
SEB
Sparebanken Vest
BNP PARIBAS
DNB
MIZUHO
Nordea
SMBC

(1) Closing of the new loan is expected to occur by May 31, 2017

Long-term Contracts Backed by Leading Energy Companies



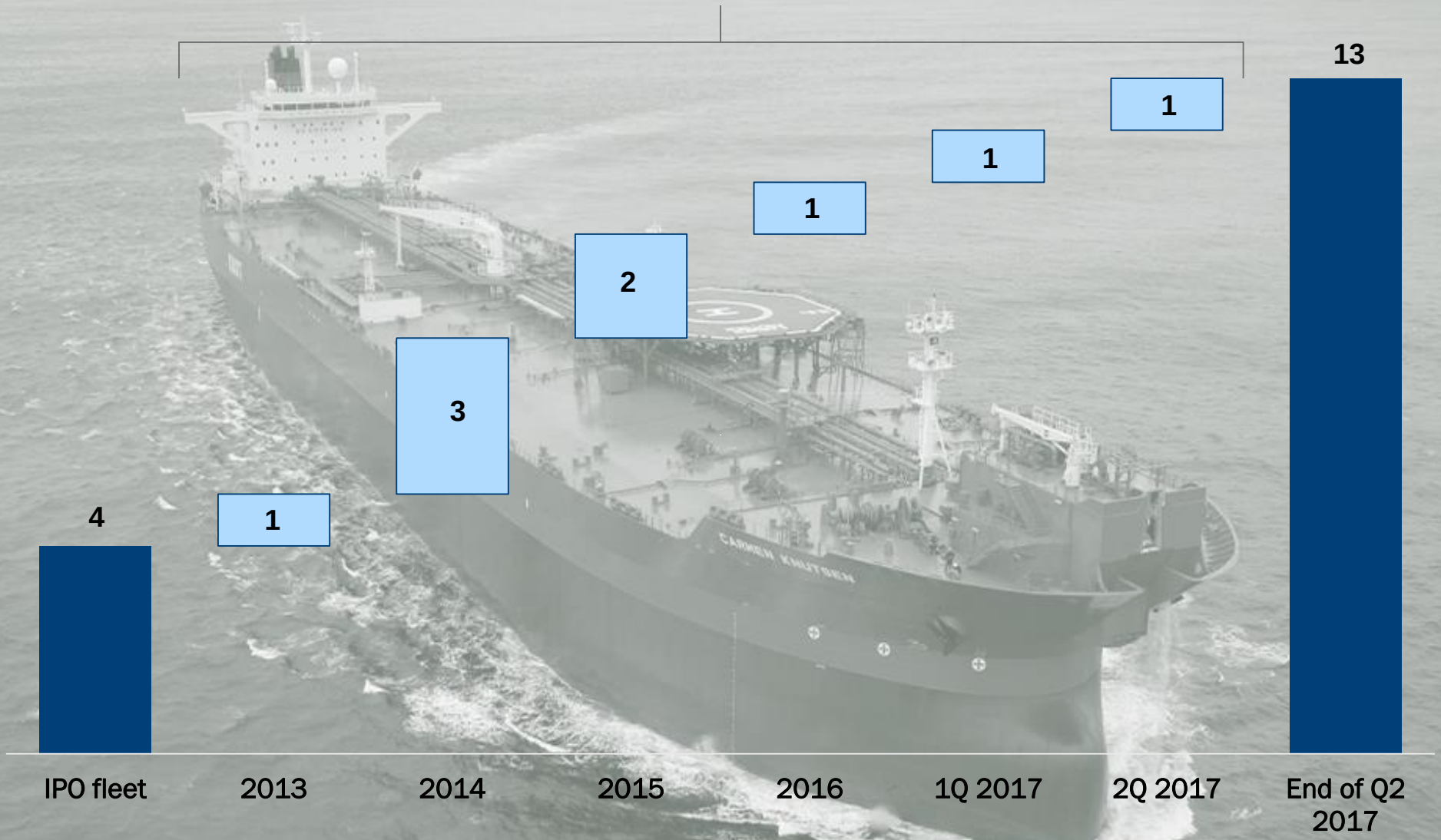
KNOP fleet has average remaining fixed contract duration of 4.8(2) years

Additional 4.12 years on average in Charterers option

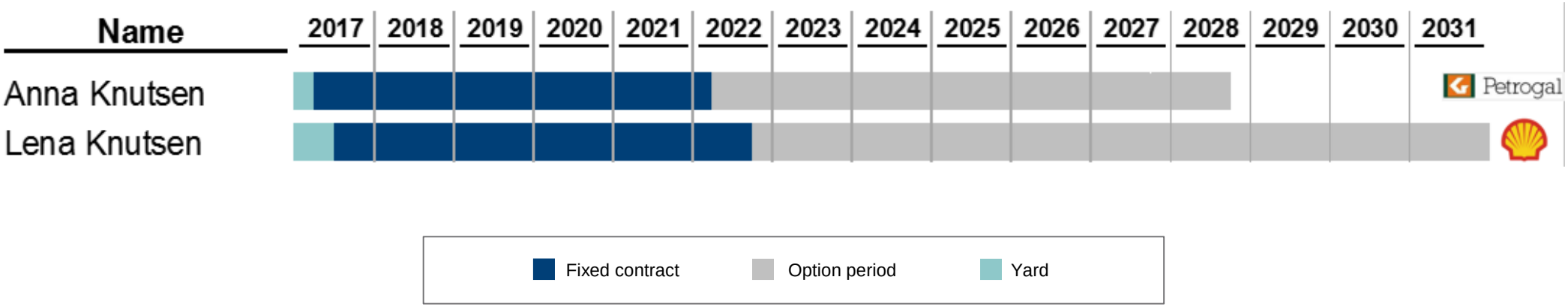
(1) KNOT has guaranteed the hire rate to April 2018 (five years from IPO date)
(2) Purchase Agreement executed for Vigdis Knutsen; closing anticipated by June 1, 2017
(3) Remaining contract life is calculated as of 31/03/2017, including the acquisition of Vigdis Knutsen

Significant growth fleet since IPO

225% fleet growth since IPO



Dropdown inventory: Two potential acquisitions[1]



Fixed contract periods for the dropdown fleet are 5.0[2] years on average

Charterers also have the option to extend these charters by 10.0 years on average

(1) The acquisition by KNOP of any dropdown vessels in the future is subject to the approval of the board of directors of each of KNOP and Knutsen NYK. There can be no assurance that any potential dropdowns will occur.
(2) Remaining contract life is calculated as of 31/03/2011.

Summary

- Another steady quarter taking into account the scheduled drydocking of *Windsor Knutsen* and offhire related to *Raquel Knutsen*
- Acquisition of *Tordis Knutsen* and agreement to acquire *Vigdis Knutsen*
- $ 145 million of new equity has been raised this year in addition to $ 100 million of long-term debt which is being utilized for growth acquisitions
- Balance Sheet capacity for an additional drop-down in H2
- With tight market and tenders back Sponsor expects to build further drop-down inventory
- Attractive value proposition with quarterly distribution of $0.52 per unit
  - 9.2% yield(2)

(1) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures used by management and external users of our financial statements. Please see Appendix A for definitions of Adjusted EBITDA and distributable cash flow and a reference to reconciliation to net income, the most directly comparable GAAP financial measure.
(2) Quarterly distribution annualized / unit price $22.70 per 12 May, 2017

Thank you, any questions?

APPENDIX

Non-GAAP Financial Measures

Adjusted EBITDA

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 reconciliation of Adjusted EBITDA is set forth in the tables below:

For the Quarter Ended

(USD in thousands)	16 April-13 to 30 June-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14
Net income	3,971	6,357	7,902	6,424	2,497	12,563	5,908
Interest income	(3)	(16)	(5)	(1)	(3)	0	(9)
Interest expense	2,529	2,653	2,832	2,713	3,856	4,014	4,688
Depreciation	5,340	6,304	6,785	6,780	6,782	10,201	10,559
Goodwill impairment charge	-	-	-	-	-	-	-
Income tax (benefit) expense	-	(5)	(111)	19	(18)	(1)	15
EBITDA	11,837	15,293	17,403	15,935	13,114	26,777	21,161
Other financial items	911	371	(615)	199	3,220	(1,100)	5,333
Adjusted EBITDA	12,748	15,664	16,788	16,134	16,334	25,677	26,494

For the Quarter Ended

(USD in thousands)	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar 17
Net income	7,186	6,887	8,802	17,567	10,663	11,578	19,357	19,505	11,429
Interest income	(1)	(2)	-	(5)	(2)	-	(6)	(15)	(36)
Interest expense	4,186	4,212	4,322	4,731	5,029	5,055	5,129	5,654	6,215
Depreciation	11,400	11,560	12,420	13,464	13,892	13,913	13,920	14,505	15,753
Goodwill impairment charge	-	6,217	-	-	-	-	-	-	-
Income tax (benefit) expense	3	3	-	(65)	3	3	3	(24)	3
EBITDA	22,774	28,877	25,543	35,692	29,585	30,549	38,402	39,625	33,364
Other financial items	5,571	(42)	6,624	(1,849)	3,486	3,592	(3,311)	(3,530)	(123)
Adjusted EBITDA	28,345	28,835	32,167	33,843	33,071	34,141	35,092	36,095	33,241

Non-GAAP Financial Measures

Distributable Cash Flow

Distributable cash flow represents net income adjusted for depreciation and amortization, unrealized gains and losses from derivatives, unrealized foreign exchange gains and losses, distributions on the Series A Preferred Units, goodwill impairment charge 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 reconciliation of Distributable Cash flow is set forth in the tables below:

	For the Quarter Ended						
(USD in thousands)	**16 April-13 to 30 June-13**	**30-Sep-13**	**31-Dec-13**	**31-Mar-14**	**30-Jun-14**	**30-Sep-14**	**31-Dec-14**
Net income	3,971	6,357	7,902	6,424	2,497	12,563	5,908
Add:							
Depreciation	5,340	6,304	6,785	6,780	6,782	10,201	10,559
Goodwill impairment charge	-	-	-	-	-	-	-
Other non cash items; deferred cost amortization debt	870	338	287	279	1,416	308	1,018
Unrealized loss from interest rate derivatives and forward exchange currency contracts	434	252		-	1,642	-	4,213
IPO expenses covered by Predecessor	60	-	-	-	-	-	-
Less:							
Estimated maintenance and replacement capital expenditures(including drydocking reserve)	(2,980)	(3,477)	(3,738)	(3,738)	(3,738)	(5,659)	(5,747)
Other non cash items; Accrued income	-	-	-	-	-	-	-
Other non cash items; Deferred revenue	(477)	(486)	(486)	(486)	(486)	(858)	(858)
Unrealized gain from interest rate derivatives and forward exchange currency contracts	-	-	(994)	(99)	-	(1,846)	-
Distributable cash flow	**7,218**	**9,288**	**9,756**	**9,160**	**8,113**	**14,709**	**15,093**

Non-GAAP Financial Measures

. The reconciliation of Distributable Cash flow is set forth in the table below:

	For the Quarter Ended								
(USD in thousands)	**31-Mar-15**	**30-Jun-15**	**30-Sep-15**	**31-Dec-15**	**31-Mar-16**	**30-Jun-16**	**30-Sep-16**	**31-Dec-16**	**31-Mar-17**
Net income	7,186	6,887	8,802	17,567	10,663	11,578	19,357	19,505	11,429
Add:									
Depreciation	11,400	11,560	12,420	13,464	13,892	13,913	13,920	14,505	15,753
Goodwill impairment charge	-	6,217	-	-	-	-	-	-	-
Other non cash items; deferred cost amortization debt	284	287	289	289	287	287	310	315	348
Unrealized loss from interest rate derivatives and forward exchange currency contracts	4,597	-	4,032	-	4,348	1,608	-	2,911	-
IPO expenses covered by Predecessor	-	-	-	-	-	-	-	-	-
Less:									
Estimated maintenance and replacement capital expenditures(including drydocking reserve)	(6,175)	(6,264)	(6,749)	(7,516)	(7,895)	(7,894)	(7,894)	(8,100)	(9,120)
Distribution to Convertible Preferred Units	-	-	-	-	-	-	-	-	(645)
Other non cash items; Accrued income	-	-	-	-	(461)	(245)	(216)	(232)	(149)
Other non cash items; Deferred revenue	(858)	(858)	(858)	(858)	(858)	(787)	(751)	(751)	(726)
Unrealized gain from interest rate derivatives and forward exchange currency contracts	(6,175)	(6,264)	(1,789)	(4,864)	(2,089)	-	(4,438)	(7,375)	(1,258)
Distributable cash flow	**16,434**	**16,243**	**16,147**	**18,082**	**17,888**	**18,460**	**20,288**	**20,778**	**15,632**

Reconciliation of estimated net income and estimated EBITDA for KNOT 25

For KNOT 25, the entity that the Partnership intends to purchase in the pending acquisition, estimated net income and estimated EBITDA for the twelve months following the closing of the acquisition are based on the following assumptions:

- closing of the Acquisition and timely receipt of charter hire specified in the time charter contract;
- utilization of the Viggid Knutsen of 363 days per year and no drydocking of the vessel;
- no realized or unrealized gains or losses on derivative instruments related to KNOT 25's financing arrangements;
- vessel operating costs per current internal estimates; and
- general and administrative expenses based on management's current internal estimates.

We consider the above assumptions to be reasonable as of the date hereof, but if these assumptions prove to be incorrect, actual net income and EBITDA for KNOT 25 could differ materially from our estimates. Neither our independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for, and disclaim any association with, such prospective financial information.

The table below reconciles for the twelve months following the closing of the Acquisition, estimated EBITDA to estimated net income, the most directly comparable GAAP measure:

Unaudited, USD in thousands	KNOT 25
Net income	7,700
Interest expense	2,900
Depreciation	5,600
Income tax expense	—
EBITDA	16,200