



KNOT
Offshore Partners LP

Third Quarter 2017 Results

November 6, 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 to 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 *Lena Knutsen*; the estimated net income and estimated EBITDA relating to the intended acquisition of KNOT 26 for the twelve months following the closing of the acquisition; 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; modifications to the Norwegian Tonnage Tax regime; 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 and reports on Form 6K.

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.

Financial Highlights

- Highest quarterly revenues of \$58.2 million and net income of \$21.1 million
- Highest quarterly Adjusted EBITDA⁽¹⁾ of \$45.1 million
- Highest quarterly distributable cash flow¹ of \$24.0 million with highest distribution coverage ratio of 1.46
- Declared cash distribution of \$0.52 per unit for Q3 2017, annualized \$2.08
- Achieved strong performance with 99.7% utilization for scheduled operations and 99.3% utilization taking into account the scheduled drydocking and repair of the *Carmen Knutsen*.
- Completed the acquisition of the *Lena Knutsen* which is on a 5 year charter with Shell
- Knutsen NYK has agreed to enter into a five year contract for the *Brasil Knutsen* with Galp Sinopec with option to extend the charter for up to two three-year periods.

(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 reconciliation to net income, the most directly comparable GAAP financial measure.

Income Statement

<i>Unaudited, USD in thousands</i>	3Q 2017	2Q 2017	3Q 2016	FY 2016
Time charter and bareboat revenues	57,970	51,537	43,390	172,878
Loss of hire insurance recoveries	—	2,276	—	—
Other income	247	593	197	793
Total revenues	58,217	54,406	43,587	173,671
Vessel operating expenses	11,828	9,427	7,588	30,903
Depreciation	18,379	17,372	13,920	56,230
General and administrative expenses	1,285	1,493	908	4,371
Total operating expenses	31,492	28,292	22,416	91,504
Operating income	26,725	26,114	21,171	82,167
Interest income	68	44	6	24
Interest expense	(8,040)	(7,252)	(5,129)	(20,867)
Realized and unrealized gain (loss) on derivative instruments	2,832	(1,536)	3,613	1,213
Other financial items ⁽¹⁾	(503)	(452)	(302)	(1,450)
Income before income taxes	21,082	16,918	19,360	61,087
Income tax benefit (expense)	(3)	(3)	(3)	15
Net income	21,079	16,915	19,357	61,102

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

Adjusted EBITDA

<i>Unaudited, USD in thousands</i>	3Q 2017	2Q 2017	3Q 2016	FY 2016
Net income	21,079	16,915	19,357	61,102
Interest income	(68)	(44)	(6)	(24)
Interest expense	8,040	7,252	5,129	20,867
Depreciation	18,379	17,372	13,920	56,230
Income tax (benefits) expense	3	3	3	(15)
EBITDA ⁽¹⁾	47,433	41,498	38,403	138,160
Other financial items ⁽²⁾	(2,329)	1,988	(3,311)	237
Adjusted EBITDA⁽¹⁾	45,104	43,486	35,092	138,397

(1) EBITDA and Adjusted EBITDA are non-GAAP financial measures used by management and external users of our 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.

Distributable cash flow

<i>Unaudited, USD in thousands</i>	3Q 2017	2Q 2017	3Q 2016	FY 2016
Net income	21,079	16,915	19,357	61,102
Add:				
Depreciation	18,379	17,372	13,920	56,230
Other non-cash items; deferred costs amortization debt	469	407	310	1,198
Unrealized losses from interest rate derivatives and foreign exchange currency contracts	—	1,334	—	8,867
Less:				
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(10,560)	(9,990)	(7,894)	(31,786)
Distribution to Convertible Preferred Units	(1,800)	(1,009)	—	—
Other non-cash items; deferred revenue and accrued income	(746)	(801)	(967)	(4,300)
Unrealized gains from interest rate derivatives and foreign exchange currency contracts	(2,855)	(833)	(4,438)	(13,900)
Distributable cash flow⁽¹⁾	23,967	23,395	20,288	77,412
Total distributions	16,379	16,379	15,027	61,528
Distribution coverage ratio⁽²⁾	1.46X	1.43X	1.35X	1.26X

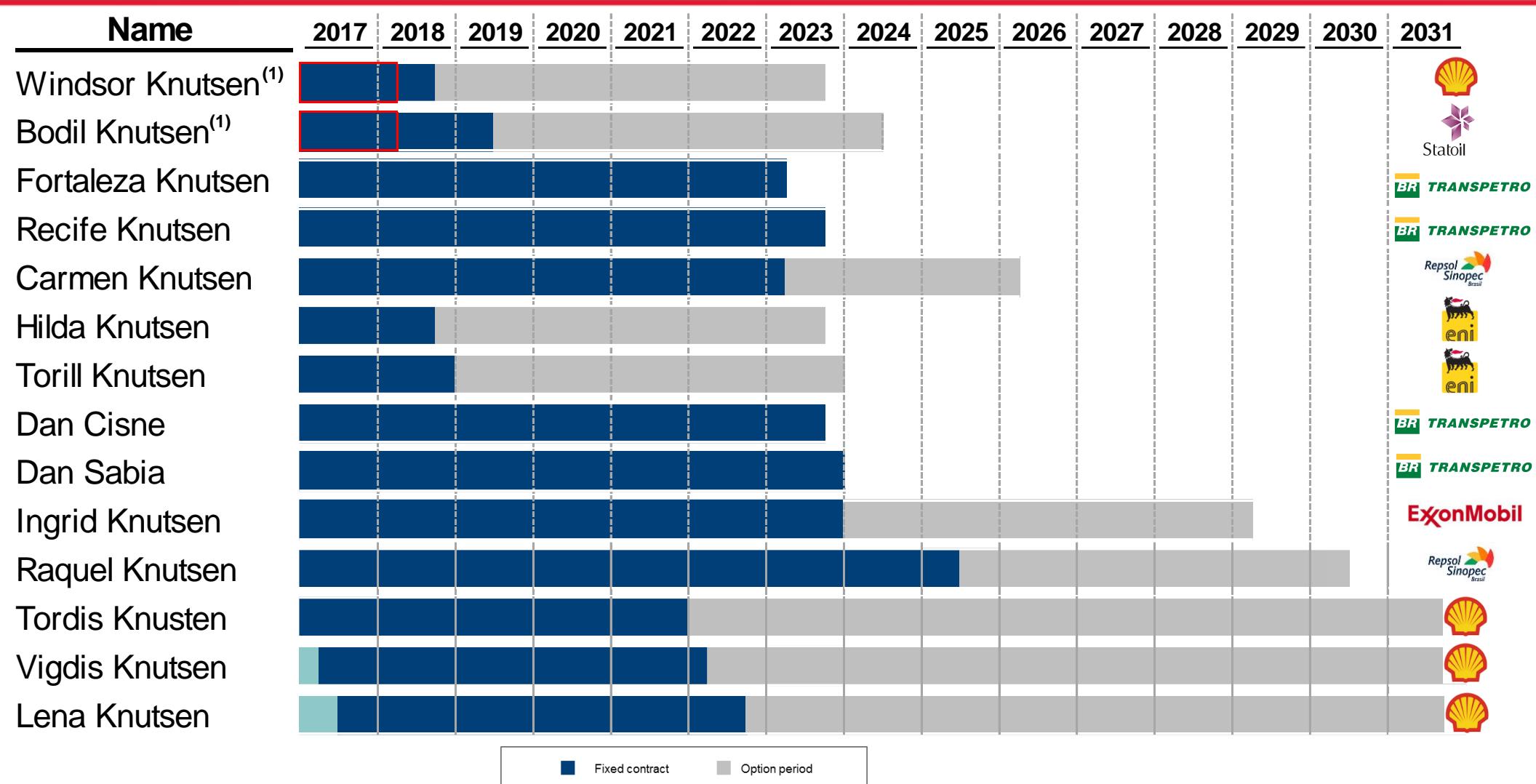
(1) Distributable cash flow is a non-GAAP financial measure used by management and external users of our financial statements. Please see Appendix A for a definition of distributable cash flow.

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

Balance sheet

<i>Unaudited, USD in thousands</i>	At September 30, 2017	At December 31, 2016		At September 30, 2017	At December 31, 2016
Current assets:			Current liabilities		
Cash and cash equivalents	38,118	27,664	Current portion of long-term debt	69,526	58,984
Inventories	1,945	1,176	Derivative liabilities	1,798	3,304
Derivative assets	1,639	—	Contract liabilities	1,518	1,518
Other current assets	5,287	2,239	Other current liabilities	25,252	13,831
Total current assets	46,989	31,079	Total current liabilities	98,094	77,637
Long-term assets:			Long-term liabilities:		
Net vessels and equipment	1,643,912	1,256,889	Long-term debt	933,109	657,662
Intangible assets, net	2,649	—	Long-term debt related parties	—	25,000
Derivative assets	7,162	3,154	Derivative liabilities	495	285
Accrued income	1,599	1,153	Contract liabilities	7,101	8,239
Total long-term assets	1,655,322	1,261,196	Deferred tax liabilities	844	685
			Other long-term liabilities	3	1,051
			Total liabilities	941,552	770,565
			Convertible Preferred Units	89,243	
			Total partners' equity	573,422	521,710
Total assets	1,702,311	1,292,275	Total equity and liabilities	1,702,311	1,292,275

Long-term Contracts Backed by Leading Energy Companies



KNOP fleet has average remaining fixed contract duration of 4.4⁽²⁾ years

Additional 4.5⁽²⁾ years on average in Charterers option

(1) KNOT has guaranteed the hire rate to April 2018 (five years from IPO date)

(2) Remaining contract life is calculated as of September 30, 2017

Summary



- Highest ever quarterly performance for Revenue, Net Income and Adjusted EBITDA⁽¹⁾
- Another strong operational result – 99.7% utilization of the fleet in 3Q – 99.6% since IPO
- Acquisition of *Lena Knutsen*
- Good access to attractive bank financing
- Attractive value proposition with quarterly distribution of \$0.52 per unit
 - 9.0% yield⁽³⁾

(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 \$23.20 per 3 November, 2017



Thank you, any questions?

APPENDIX



Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA refers to earnings before interest, depreciation, taxes, goodwill impairment charge and other financial items. Adjusted EBITDA is a non-GAAP financial measure used by investors to measure our performance. Adjusted EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as investors, to assess our financial and operating 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 goodwill impairment charges 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 to net income, the most directly comparable GAAP measure, 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	31-Mar-15	30-Jun-15
Net income	3,971	6,357	7,902	6,424	2,497	12,563	5,908	7,186	6,887
Interest income	(3)	(16)	(5)	(1)	(3)	0	(9)	(1)	(2)
Interest expense	2,529	2,653	2,832	2,713	3,856	4,014	4,688	4,186	4,212
Depreciation	5,340	6,304	6,785	6,780	6,782	10,201	10,559	11,400	11,560
Goodwill impairment charge	-	-	-	-	-	-	-	-	6,217
Income tax (benefit) expense	-	(5)	(111)	19	(18)	(1)	15	3	3
EBITDA	11,837	15,293	17,403	15,935	13,114	26,777	21,161	22,774	28,877
Other financial items	911	371	(615)	199	3,220	(1,100)	5,333	5,571	(42)
Adjusted EBITDA	12,748	15,664	16,788	16,134	16,334	25,677	26,494	28,345	28,835

For the Quarter Ended

(USD in thousands)	30-Sep-15								
	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17
Net income	8,802	17,567	10,663	11,578	19,357	19,505	11,429	16,915	21,079
Interest income	-	(5)	(2)	-	(6)	(15)	(36)	(44)	(68)
Interest expense	4,322	4,731	5,029	5,055	5,129	5,654	6,215	7,252	8,040
Depreciation	12,420	13,464	13,892	13,913	13,920	14,505	15,753	17,372	18,379
Goodwill impairment charge	-	-	-	-	-	-	-	-	-
Income tax (benefit) expense	-	(65)	3	3	3	(24)	3	3	3
EBITDA	25,543	35,692	29,585	30,549	38,402	39,625	33,364	41,498	47,433
Other financial items	6,624	(1,849)	3,486	3,592	(3,311)	(3,530)	(123)	1,988	(2,329)
Adjusted EBITDA	32,167	33,843	33,071	34,141	35,092	36,095	33,241	43,486	45,104

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 to net income, the most directly comparable cash measure, set forth in the tables below:

(USD in thousands)	For the Quarter Ended								
	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	31-Mar-15	30-Jun-15
Net income	3,971	6,357	7,902	6,424	2,497	12,563	5,908	7,186	6,887
<i>Add:</i>									
Depreciation	5,340	6,304	6,785	6,780	6,782	10,201	10,559	11,400	11,560
Goodwill impairment charge	-	-	-	-	-	-	-	-	6,217
Other non cash items; deferred cost amortization debt	870	338	287	279	1,416	308	1,018	284	287
Unrealized loss from interest rate derivatives and forward exchange currency contracts	434	252	-	-	1,642	-	4,213	4,597	-
IPO expenses covered by Predecessor	60	-	-	-	-	-	-	-	-
<i>Less:</i>									
Estimated maintenance and replacement capital expenditures(including drydocking reserve)	(2,980)	(3,477)	(3,738)	(3,738)	(3,738)	(5,659)	(5,747)	(6,175)	(6,264)
Distribution to Convertible Preferred Units	-	-	-	-	-	-	-	-	-
Other non cash items; Accrued income	-	-	-	-	-	-	-	-	-
Other non cash items; Deferred revenue	(477)	(486)	(486)	(486)	(486)	(858)	(858)	(858)	(858)
Unrealized gain from interest rate derivatives and forward exchange currency contracts	-	-	(994)	(99)	-	(1,846)	-	(6,175)	(6,264)
Distributable cash flow	7,218	9,288	9,756	9,160	8,113	14,709	15,093	16,434	16,243

Non-GAAP Financial Measures

The reconciliation of distributable cash flow to net income, the most directly comparable cash measure, set forth in the tables below:

(USD in thousands)	For the Quarter Ended								
	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17
Net income	8,802	17,567	10,663	11,578	19,357	19,505	11,429	16,915	21,079
<i>Add:</i>									
Depreciation	12,420	13,464	13,892	13,913	13,920	14,505	15,753	17,372	18,379
Goodwill impairment charge	-	-	-	-	-	-	-	-	-
Other non cash items; deferred cost amortization debt	289	289	287	287	310	315	348	407	469
Unrealized loss from interest rate derivatives and forward exchange currency contracts	4,032	-	4,348	1,608	-	2,911	-	1,334	-
IPO expenses covered by Predecessor	-	-	-	-	-	-	-	-	-
<i>Less:</i>									
Estimated maintenance and replacement capital expenditures(including drydocking reserve)	(6,749)	(7,516)	(7,895)	(7,894)	(7,894)	(8,100)	(9,120)	(9,990)	(10,560)
Distribution to Convertible Preferred Units	-	-	-	-	-	-	(645)	(1,009)	(1,800)
Other non cash items; Accrued income	-	-	(461)	(245)	(216)	(232)	(149)	(151)	(146)
Other non cash items; Deferred revenue	(858)	(858)	(858)	(787)	(751)	(751)	(726)	(650)	(600)
Unrealized gain from interest rate derivatives and forward exchange currency contracts	(1,789)	(4,864)	(2,089)	-	(4,438)	(7,375)	(1,258)	(833)	(2,855)
Distributable cash flow	16,147	18,082	17,888	18,460	20,288	20,778	15,632	23,395	23,966