


KNOT
Offshore Partners LP

Third Quarter Results 2013

November 26, 2013

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Highligts & Recent Events

- For the third quarter of 2013, KNOT Offshore Partners L.P. (the "Partnership"):
  - Generated Net income of $6.4 million and operating income of $9.4 million
  - Generated Adjusted EBITDA[(1)] of $15.7 million and
  - Generated Distributable cash flow[(2)] of $9.3 million
- On November 14, 2013, the Partnership paid a quarterly distribution of $0.435 per unit with respect to the period ended September 30, 2013. This represented a 16% increase in distribution from the minimum quarterly dividend level
- On August 1, the Partnership completed the acquisition of the company owning Carmen Knutsen
- KNOT Offshore Partners LP have a significant potential for future growth; initially from the four vessels that already are defined dropdown candidates

(1) Adjusted EBITDA is a non-GAAP financial measure used by investors to measure the performance of master limited partnerships. Please see Page 7 for a reconciliation to the most directly comparable GAAP financial measure.

(2) Distributable cash flow is a non-GAAP financial measure used by investors to measure the performance of master limited partnerships. Please see Page 6 for a reconciliation to the most directly comparable GAAP financial measure.

Summary unaudited condensed consolidated and combined carve-out statement of operations

- Vessel operation in line with forecast
  - 98.5% uptime (3.4 days offhire)
- Operation reflects Carmen Knutsen from August 1st
- G&A affected by dropdown related costs

(USD in thousands)	Three months Ended September 30, 2013 (unaudited)	Three months Ended September 30, 2012 (unaudited)	Nine months Ended September 30, 2013 (unaudited)	Nine months Ended September 30, 2012 (unaudited)
Time charter and bareboat revenues 1)	20,454	16,555	50,934	45,259
Loss of hire insurance recoveries	-	1,358	250	3,575
Total revenues	**20,454**	**17,913**	**51,184**	**48,834**
Vessel operating expenses	3,830	1,735	9,861	9,645
Depreciation and amortization	6,304	5,278	16,984	15,899
General and administrative expenses	960	1,778	4,359	2,328
Total operating expenses	**11,094**	**8,791**	**31,204**	**27,873**
Operating income	**9,360**	**9,122**	**19,980**	**20,961**
Finance income (expense):				
Interest income	16	2	25	15
Interest expense	(2,653)	(3,407)	(7,941)	(10,345)
Other finance expense	(150)	(821)	(1,798)	(2,568)
Realized and unrealized loss on derivative instruments	(252)	(2,109)	(339)	(6,167)
Net gain (loss) on foreign currency transactions	31	(1,682)	173	(1,849)
Total finance expense	**(3,008)**	**(8,017)**	**(9,880)**	**(20,914)**
Income (loss) before income taxes	**6,352**	**1,105**	**10,100**	**47**
Income tax benefit	5	(953)	(2,938)	(777)
Net income (loss) attributable to KNOT Offshore Partners LP Owners	**6,357**	**152**	**7,162**	**(730)**
Weighted average units outstanding (in thousands):				
Common units	8,567,500			
Subordinated units	8,567,500			
General Partner units	349,694			

1) Time charter revenue for the third quarter of 2013 include, non-cash item of approximately $0.5 million in reversal of contract liability provision

Summary Unaudited Condensed Consolidated and combined carve-out Balance sheet

- Total unrestricted cash of $28.5 million
- Interest bearing debt at $357.0 million
- Average margin on the debt was 2.74% as of Sep. 30th
- As of today, $200 million of the Libor risk is secured through interest swaps
  - The first $50 million tranche was done in Q3 followed by another three tranches thereafter
  - Average term is to mid April 2018 or 4.4 years from today
  - Average fixed rate of 1.33%
- In compliance with financial debt covenants

(USD in thousands)	At September 30, 2013 (unaudited)	At December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	28,483	1,287
Restricted cash	1,461	830
Other current assets	3,160	4,389
Long-term assets:		
Vessels and equipment	624,554	496,768
Goodwill	5,750	5,750
Deferred debt issuance cost	2,233	2,787
Total assets	**665,641**	**511,811**
LIABILITIES AND PARTNERS' EQUITY/OWNER'S CAPITAL		
Current liabilities:		
Current installments of long-term debt	29,044	28,833
Derivative liabilities	252	5,258
Contract liabilities	1,518	1,518
Income taxes payable	746	
Amount due to related parties	444	12,423
Other current liabilities	7,954	6,542
Long-term liabilities:		
Long-term debt, excluding current installments	317,596	319,017
Long-term debt from related parties	10,349	
Derivative liabilities		22,622
Contract liabilities	13,173	14,311
Deferred tax liabilities	2,249	3,097
Other long-term liabilities	675	996
Total liabilities	**384,001**	**414,617**
Owner's equity		97,194
Partner's capital Common unitholders	168,632	
Subordinated unitholder	107,717	
General Partner interest	5,292	
Total Partner's capital	281,641	
Total liabilities and equity	**665,642**	**511,811**

Distributable cashflow

(USD in thousands)	**Three months Ended September 30, 2013 (unaudited)**
Net income	**6,357**
Add:	
Depreciation and amortization	6,304
Unrealized loss from interest rate derivatives	252
Other non-cash items; deferred costs amortization debt	338
Less:	
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(3,477)
Other non-cash items; reversal of negative contract provision	(486)
Distributable cash flow	**9,288**

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 September 30, 2013 (unaudited)
Net income	**6,357**
Interest income	(16)
Interest expenses	2,653
Depreciation and amortization	6,304
Income tax (benefits) expense	(5)
EBITDA	**15,293**
Other financial items [1]	371
Adjusted EBITDA	**15,664**

[1] Other financial items consist of other finance expense, realized and unrealized loss on derivative instruments and net loss on foreign currency transactions

- 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.

Carmen Knutsen acquired August 2013 1st

Carmen Knutsen is a 157 000 dwt shuttle tanker, built by Hyundai Heavy Industries and delivered to Knutsen NYK Offshore Tankers in January 2013.

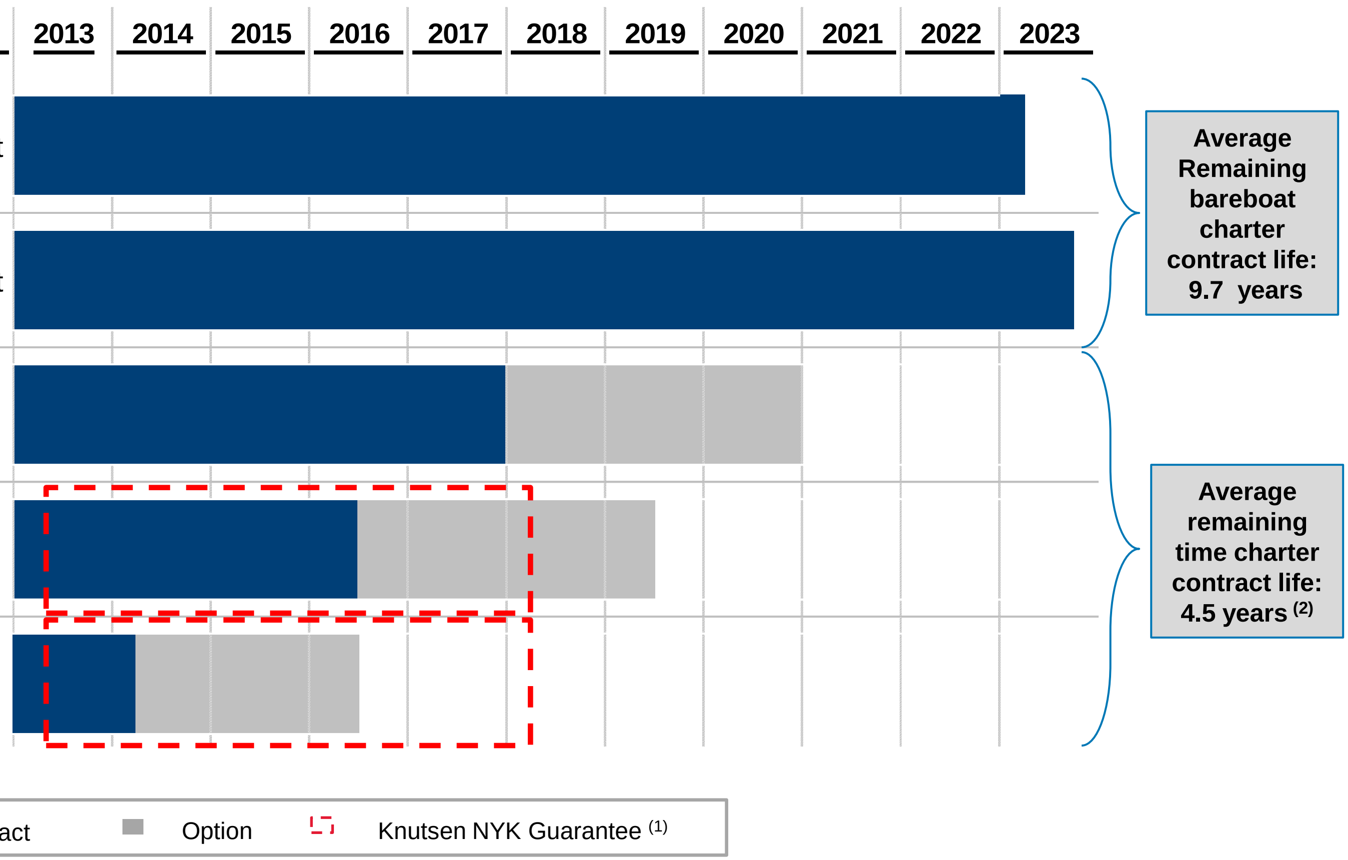
The vessel is currently trading in Brazil under a fixed time-charter contract with Repsol Sinopec until February 2018 and with three 1 year options therafter.

Purchase price	USD 145.0 million
Financing:	
Existing bank debt	USD 89.1 million
Seller Credit	USD 10.5 million
Increased loan facility secured by	
Fortaleza Knutsen and *Recife Knutsen*	USD 25.4 million
Revolver secured by *Bodil Knutsen*	USD 20.0 million
	USD 145.0 million

The seller credit has a margin of 4.5%, and average financing margin is 2.8%

Long-term Contracts Backed by Leading Energy Companies

Name	Capacity (DWT)	Charterer	Type
Fortaleza Knutsen	106 316	BR TRANSPETRO	Bareboat
Recife Knutsen	105 928	BR TRANSPETRO	Bareboat
Carmen Knutsen	157 000	REPSOL	Time Charter
Bodil Knutsen	157 644	Statoil	Time Charter
Windsor Knutsen	162 362	BG GROUP	Time Charter



KNOP fleet has average remaining contract duration of 6.9 years (2)

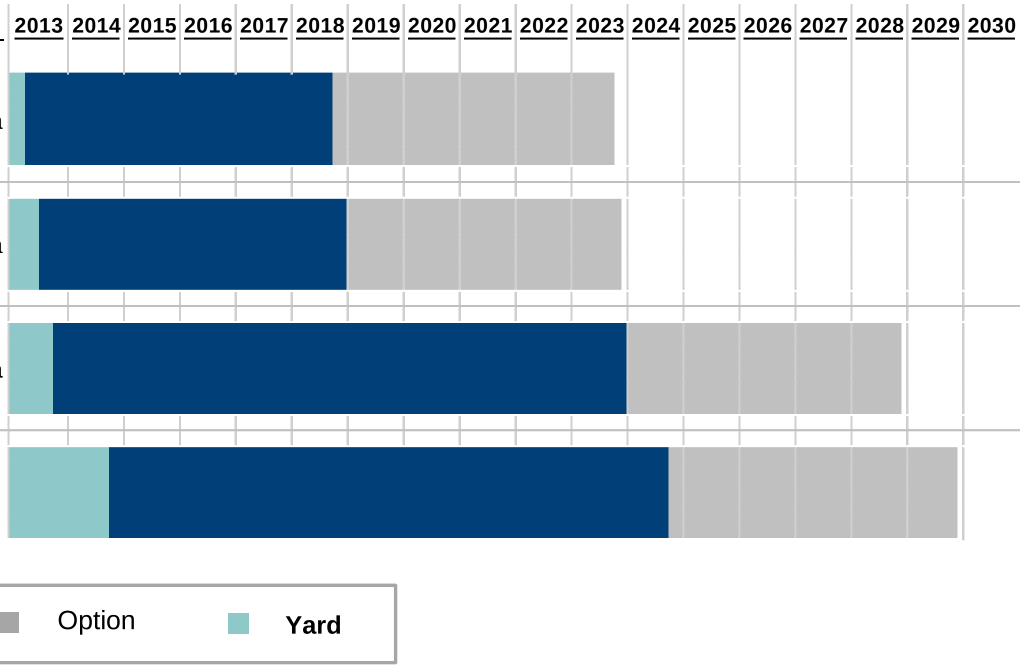
Note: Remaining contract life is calculated as of 9/30/2013.
(1) Guarantee duration of five years from IPO date.
(2) Including Knutsen NYK Guarantee and excluding the option periods.

Dropdown Fleet Overview

Contract life for Dropdown fleet:

- 7.0 years excluding options
- 11.6 years including options

Name	Capacity (DWT)	Charterer	Delivery	Charter Type	Expiration	Area[(1)]
Hull 2531	123 000	eni	Q3 2013	Time Charter	aug.18	North Sea
Hull 2532	123 000	eni	Q3 2013	Time Charter	okt.18	North Sea
Hull 2575	112 000	ExxonMobil	Q4 2013	Time Charter	nov.23	North Sea
Hull 574	152 000	REPSOL	2014	Time Charter	sep.24	Brazil



All newbuilds obligated to be offered to KNOT Partners within 24 months of delivery

(1) Expected area of operation.

Summary

- Q3 operation as forecasted
- Delivery of Carmen Knutsen on August 1st
- Solid contract base
  - Fixed revenue backlog average 6.9 years
- Partially secured interest rate risk on the floating debt by swapping USD 200m on average 4.3 years at 1.33%
- Short term production delays in both Brazil and North Sea do not change demand picture for offshore shuttle tankers medium and longer term
- Industry dynamics create significant growth opportunities the next years
- Q3 distributions in November was raised by 16% from Minimum Quarterly Dividend

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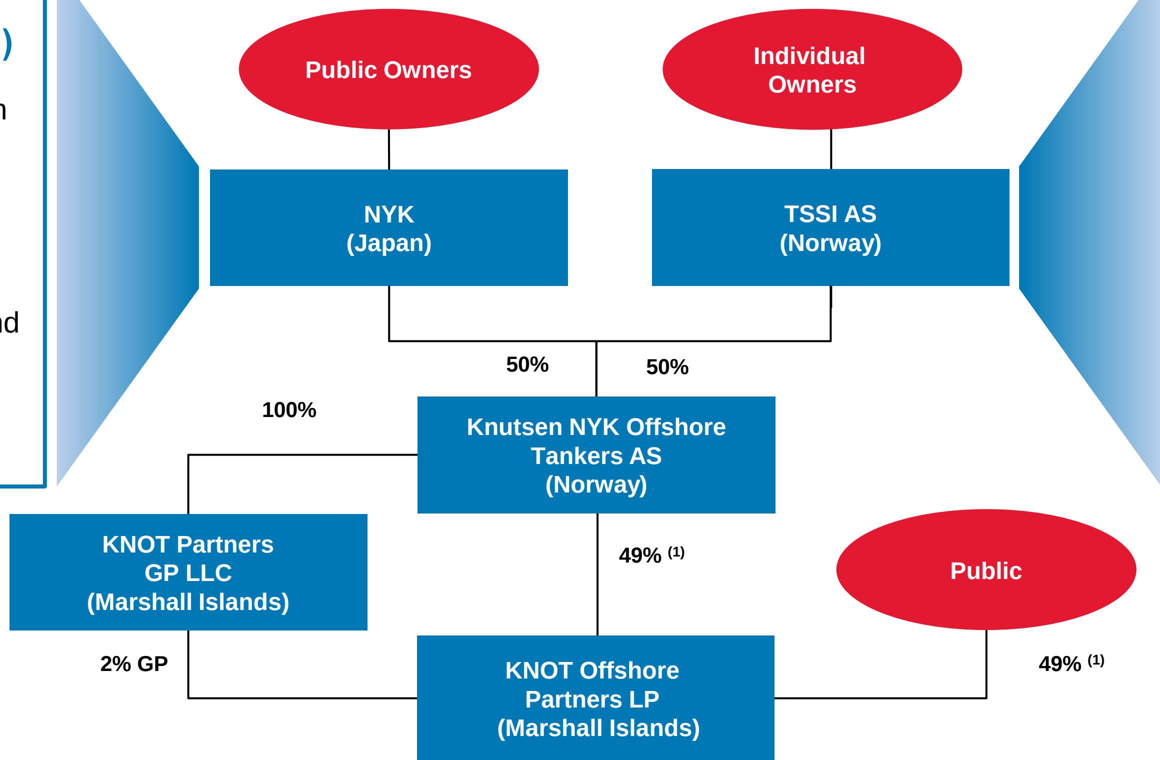
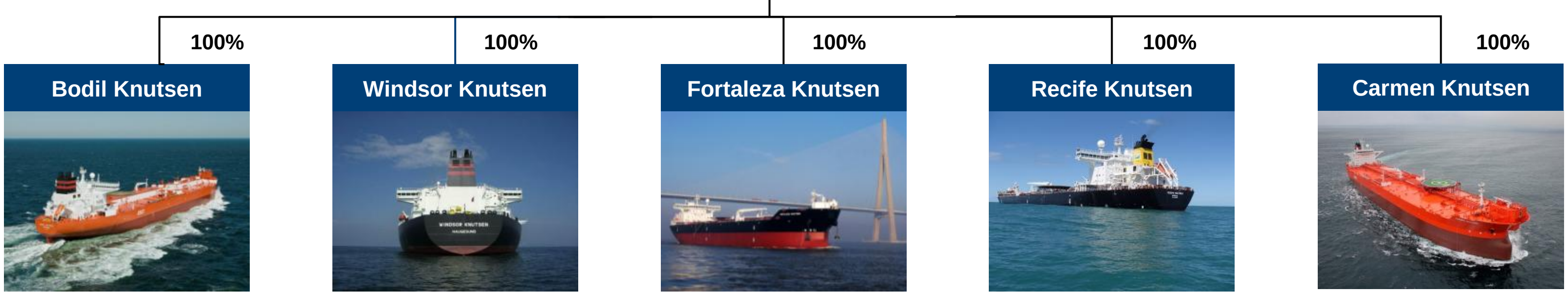
Thank you, any questions ?

Appendix 1:
Overview of Sponsors and Partnership Structure

Overview of Nippon Yusen Kaisha ("NYK")

- Publicly listed company on the Tokyo, Osaka and Nagoya Stock Exchanges
- Fleet of over 800 vessels, including bulk carriers, containerships, tankers and specialized vessels
- NYK Market Cap: $5.2Bn

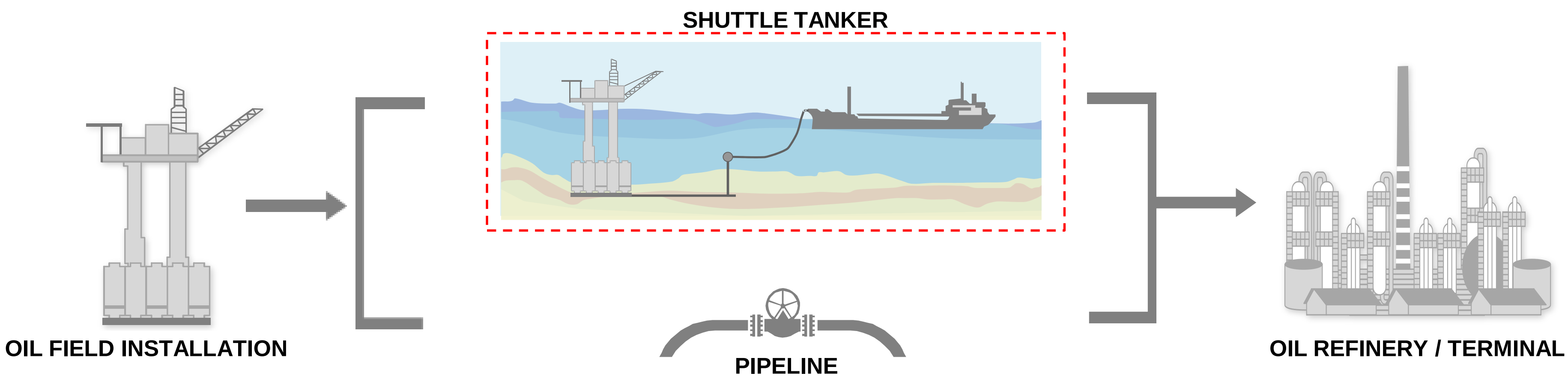




Overview of TSSI

- One of the largest private shipping companies in Norway
- Dates back to 1984
- Owned by our Chairman, Trygve Seglem, and his family
- Other assets: 7 product / chemical tankers, 9 LNG vessels and maritime technology companies

Appendix 2:
Shuttle Tankers: A Critical Component of Offshore Oil Infrastructure



Advantages vs. Pipelines

- Superior, more economical alternative with lower initial investment in certain fields based on:
  - Water depth
  - Distance from infrastructure
  - Field size
  - Field life
- Destination flexibility

Key Differences vs. Conventional Tankers

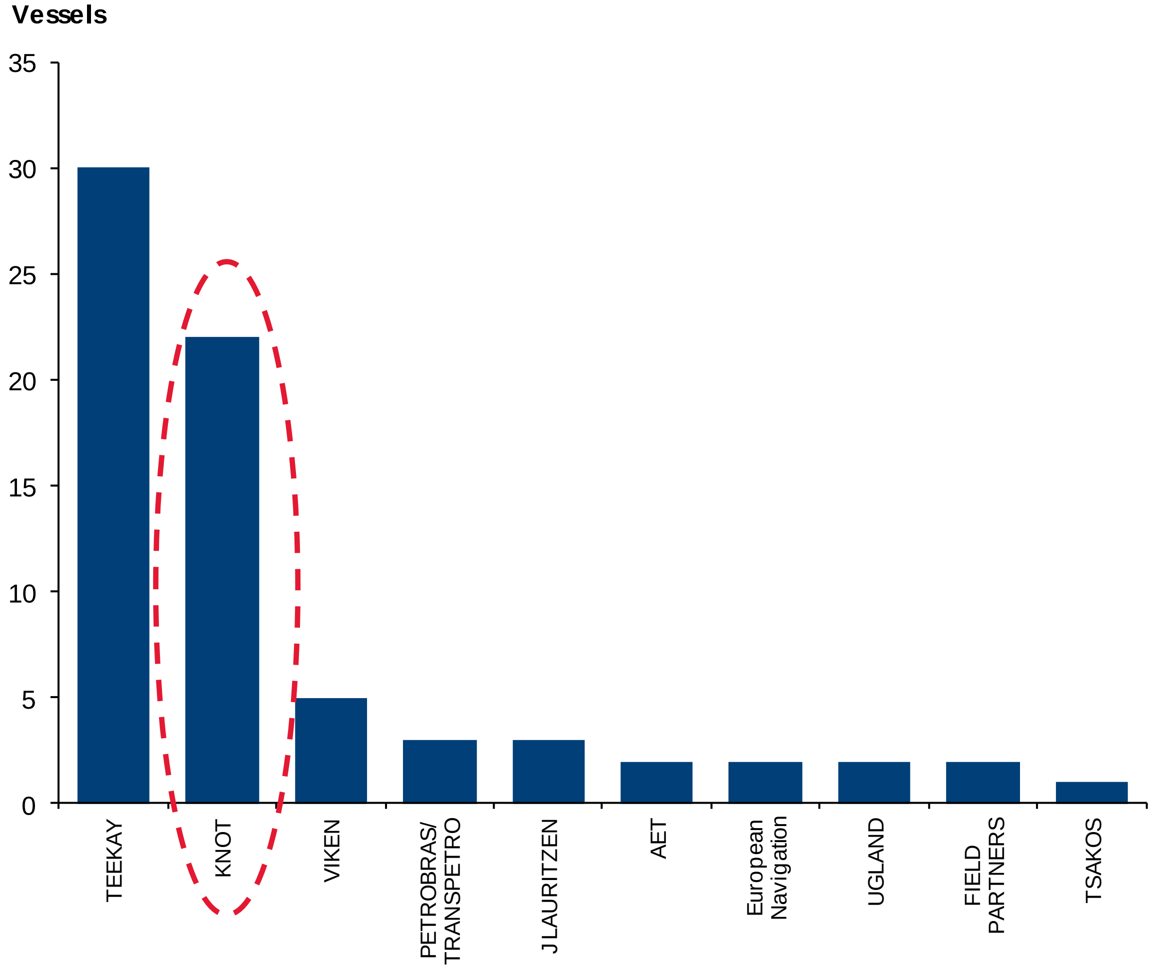
- Specially designed tankers with sophisticated bow loading and submerged turret loading equipment
  - Dynamic Positioning (DP) systems allow the vessel to stay on location in high seas and in harsh environments
  - 50% higher investment cost than conventional tankers
- Tender-based business drives newbuilds (versus speculative ordering)
- Longer-term contracts
- Stricter standards and specialized crewing

Appendix 3:
Knutsen NYK: Industry Leader with 2nd Largest Fleet

A Highly Experienced Operator

- Market leading shuttle tanker operator with extensive experience
  - 26 years of experience in offshore buoy loading and DP operations
- Backed by two leading sponsors in the industry: TSSI and NYK
- Fleet expansion based entirely on organic growth

Knutsen NYK is One of the Largest Operators in the Shuttle Tanker Sector (1)(2)



Knutsen NYK is the exclusive vehicle for investment in shuttle tankers by its Sponsors

(1) Sources: Fearnley research, March 2013.
(2) Indicates owned vessels only.