KNOT
Offshore Partners LP

Fourth Quarter 2015 Results

February 18, 2016

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Nevertheless, 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 expressly disclaims any intention or obligation to revise or publicly update any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary notice to recipients.

Financial Highlights

- Highest quarterly revenues of $42.4 million
- Highest quarterly Adjusted EBITDA[(1)] of $33.8 million
- Highest quarterly net income of $17.6 million
- Highest quarterly earnings per unit of $0.62
- Highest Distributable cash flow[(1)] of $18.1 million, with a coverage ratio 1.2
- Declared cash distribution of $0.52 per unit for Q4 2015

(1) “Adjusted EBITDA” and “Distributable cash flow” are non-GAAP financial measures, please see the Appendix for definitions.

Recent Commercial Events

- Very strong operational performance in Q4: 99.9% utilisation of the fleet (YTD: 99.9%)
- In October 2015, Windsor Knutsen commenced on a two-year time charter with BG Group, the charter also includes six one-year extension options
  - The hire rate for the Windsor Knutsen is also guaranteed by the Sponsor until April 2018
- In October, completed the acquisition of Ingrid Knutsen which is on charter with a subsidiary of ExxonMobil
- In November, Statoil ASA exercised its option to extend the time charter of Bodil Knutsen by one additional year until May 2017
  - Following the declaration, Statoil has two additional extension options until May 2019
  - The hire rate for Bodil Knutsen is also guaranteed by the Sponsor until April 2018

Income Statement

Unaudited, USD in thousands	4Q 2015	3Q 2015	2Q 2015	FY 2015	FY 2014
Time charter and bareboat revenues	42,417	39,281	36,981	154,750	112,784
Other income	120	3	2	274	57
Total revenues	**42,537**	**39,284**	**36,983**	**155,024**	**112,841**
Vessel operating expenses	7,636	5,936	7,164	27,543	23,879
Depreciation	13,464	12,420	11,560	48,844	34,322
General and administrative expenses	1,058	1,180	984	4,290	4,323
Goodwill impairment charge	—	—	6,217	6,217	—
Total operating expenses	**22,158**	**19,536**	**25,925**	**86,894**	**62,524**
Operating income	**20,379**	**19,748**	**11,058**	**68,130**	**50,317**
Interest income	5	0	2	8	13
Interest expense	(4,731)	(4,322)	(4,212)	(17,451)	(15,271)
Realized and unrealized gain (loss) on derivative instruments	2,145	(6,470)	253	(9,695)	(6,407)
Other financial items[1]	(296)	154	(211)	(609)	(1,245)
Income before income taxes	**17,502**	**10,946**	**6,890**	**40,383**	**27,407**
Income tax benefit (expense)	65	—	(3)	(59)	(15)
Net income	**17,567**	**8,802**	**6,887**	**40,442**	**27,392**

2015 net income adjusted for non-recurring items was $46,7 million, an increase of 70% compare to last year

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

Adjusted EBITDA

Unaudited, USD in thousands	4Q 2015	3Q 2015	2Q 2015	FY2015	FY2014
Net income	**17,567**	**8,802**	**6,887**	**40,443**	**27,392**
Interest income	(5)	0	(2)	(8)	(13)
Interest expense	4,731	4,322	4,212	17,451	15,271
Depreciation	13,464	12,420	11,560	48,844	34,322
Goodwill impairment charge	—	—	6,217	6,217	—
Income tax (benefits) expense	(65)	—	3	(59)	15
EBITDA	35,692	25,724	28,877	112,888	76,987
Other financial items (a)	(1,849)	6,624	(42)	10,304	7,652
Adjusted EBITDA	**33,843**	**32,167**	**28,835**	**123,192**	**84,639**

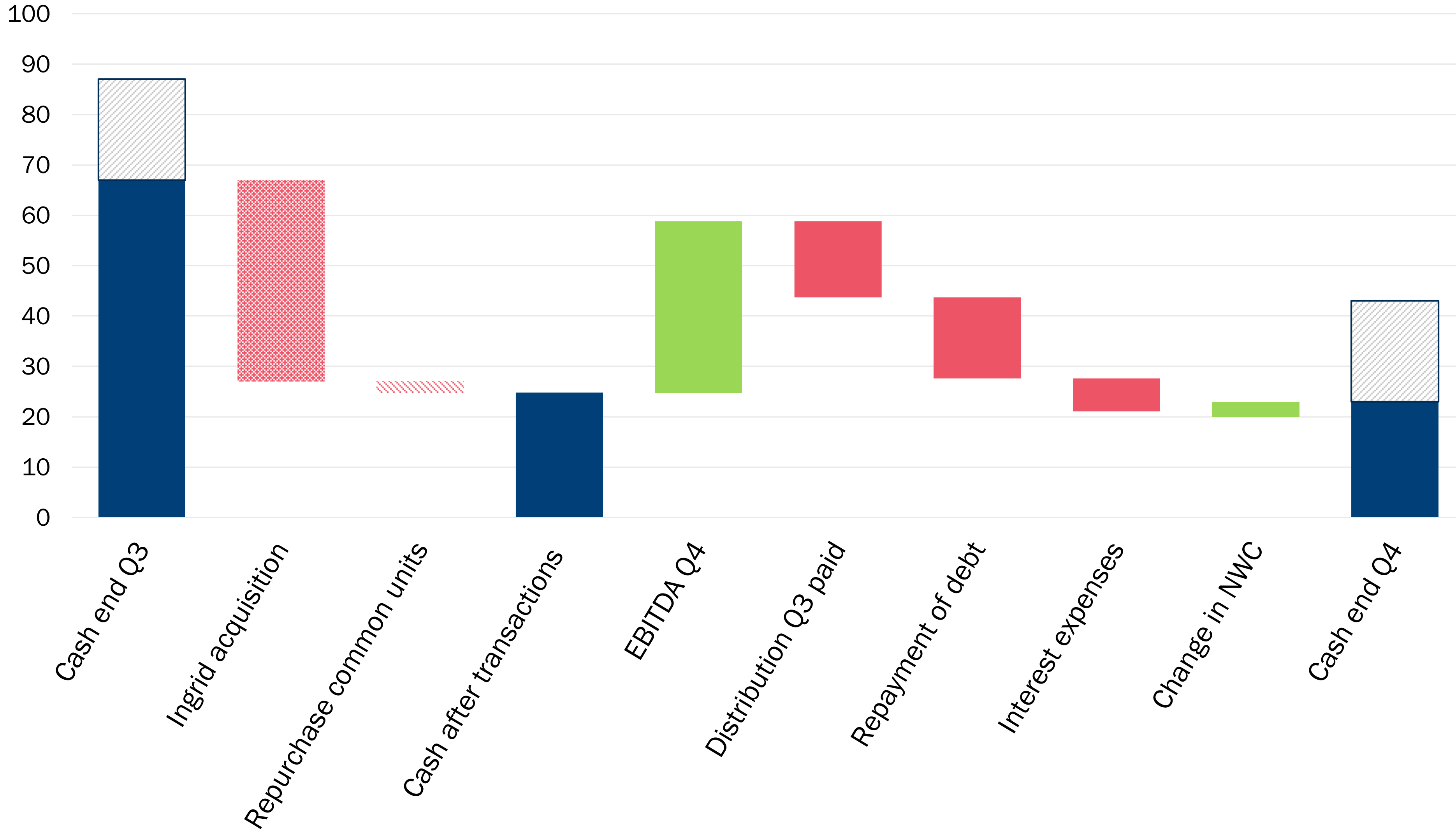
2015 adjusted EBITDA for non-recurring items increased with 53% compare to last year

(a) 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

Unaudited, USD in thousands	4Q 2015	3Q 2015	2Q 2015	FY2015	FY2014
Net income	**17,567**	**8,802**	**6,887**	**40,442**	**27,392**
Add:					
Depreciation	13,464	12,420	11,560	48,844	34,322
Goodwill impairment charge	—	—	6,217	6,217	—
Other non-cash items; deferred costs amortization debt	289	289	287	1,149	3,021
Unrealized losses from interest rate derivatives and forward exchange currency contracts	—	4,032	—	8,629	6,148
Less:					
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(7,516)	(6,749)	(6,264)	(26,704)	(18,882)
Deferred revenue	(858)	(858)	(858)	(3,432)	(2,688)
Unrealized gains from interest rate derivatives and forward exchange currency contracts	(4,864)	(1,789)	(1,586)	(8,239)	(2,487)
Distributable cash flow (A)	**18,082**	**16,147**	**16,243**	**66,907**	**46,827**
Total distributions (B)	**15,012**	**15,110**	**14,747**	**56,922**	**40,481**
Coverage ratio (A/B)	**1.20X**	**1.07X**	**1.10X**	**1,18X**	**1.16X**
Coverage ratio based on weighted average unit	**1.20X**	**1.07X**	**1.25X**	**1,21X**	**1.23X**

Stable and predictable cash development



Balance Sheet - Assets

Unaudited, USD in thousands	At December 31, 2015	At December 31, 2014
Current assets:		
Cash and cash equivalents	23,573	30,746
Other current assets	3,856	5,003
Total current assets	**27,429**	**35,749**
Long-term assets:		
Vessels and equipment:	1,192,927	1,021,857
Goodwill	—	6,217
Deferred debt issuance cost	2,819	3,959
Derivative assets	695	2,966
Total long-term assets	**1,196,441**	**1,034,999**
Total assets	**1,223,870**	**1,070,748**
Undrawn $20 million revolving facility[1]	20,000	0

As of December 31, 2015 there is undrawn revolving facility of $20 million, resulting in available liquidity of 43.6 million

[1] On-demand revolving credit facility maturing as bullet June 2019

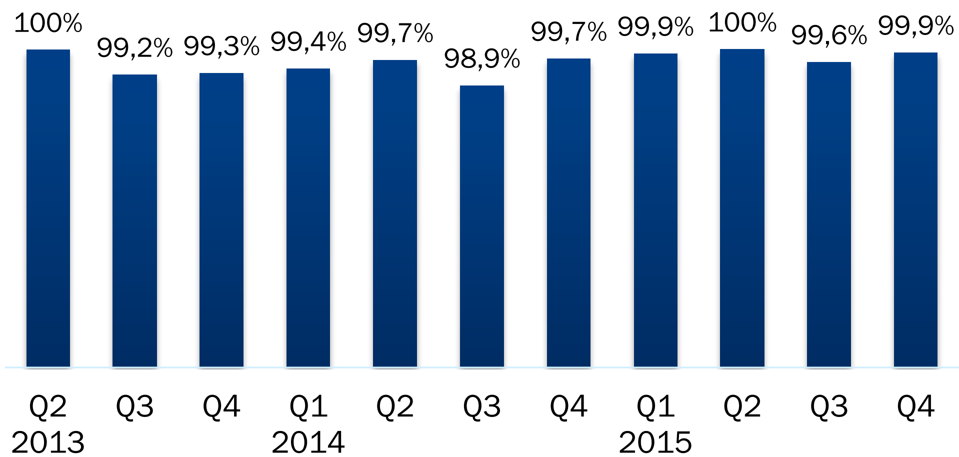
Balance Sheet - Liabilities and Partners' Equity

Unaudited, USD in thousands	At December 31, 2015	At December 31, 2014
Current liabilities:		
Current portion of long-term debt	49,684	38,718
Derivative liabilities	5,138	7,450
Contract liabilities	1,518	1,518
Other current liabilities	10,345	12,345
Total current liabilities	**66,685**	**60,031**
Long-term liabilities:		
Long-term debt	622,006	562,503
Long-term debt from related parties	—	12,000
Derivative liabilities	1,232	—
Contract liabilities	9,757	11,275
Deferred tax liabilities	877	1,402
Other long-term liabilities	2,543	4,172
Total liabilities	**703,100**	**651,383**
Total partners' equity	**520,770**	**419,365**
Total liabilities and equity	**1,223,870**	**1,070,748**

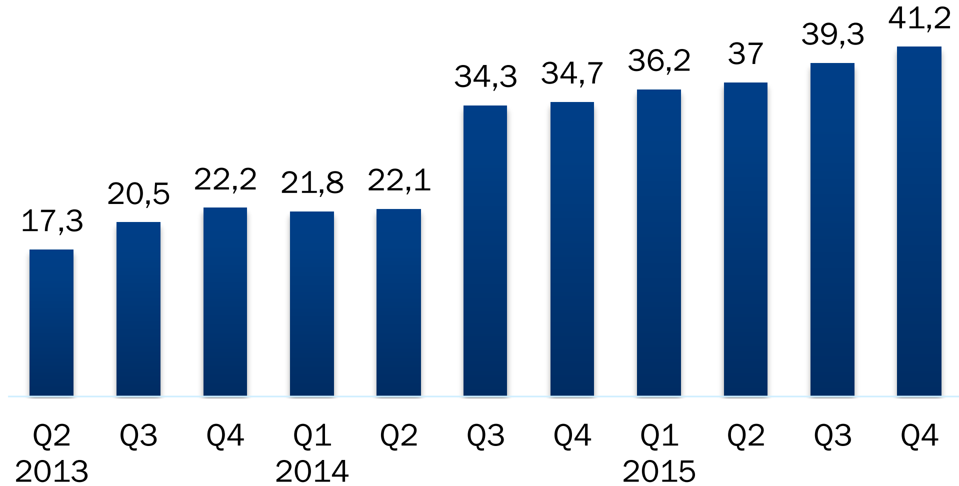
Equity ratio of 43% end-2015 vs 39% end-2014

Stable operational performance result in stable financial performane

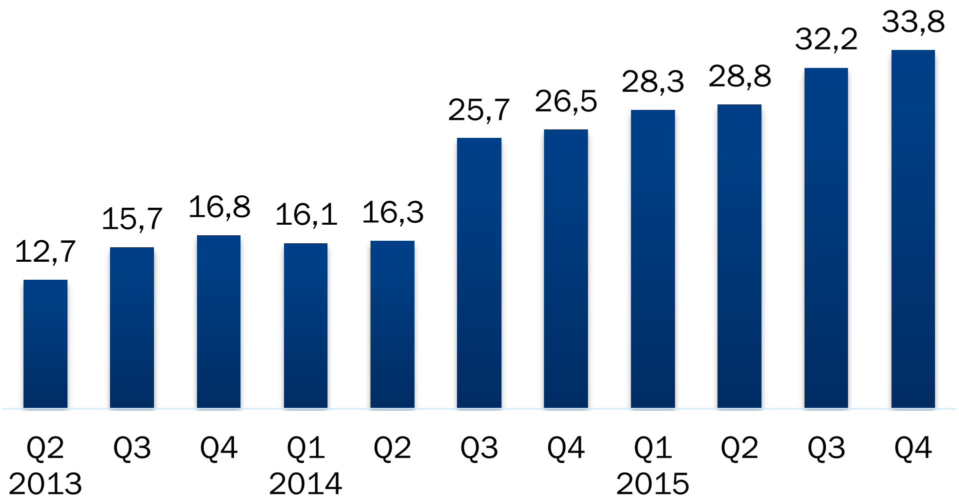
UTILIZATION (%)



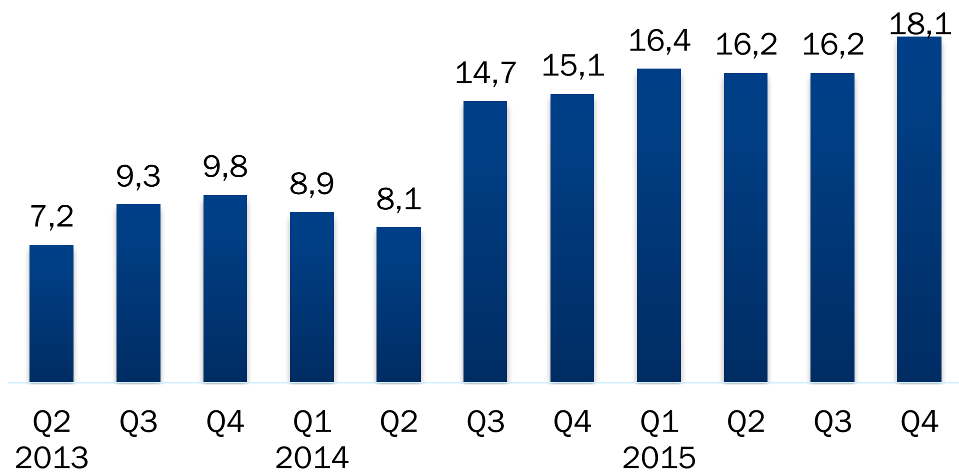
REVENUE (USD million)



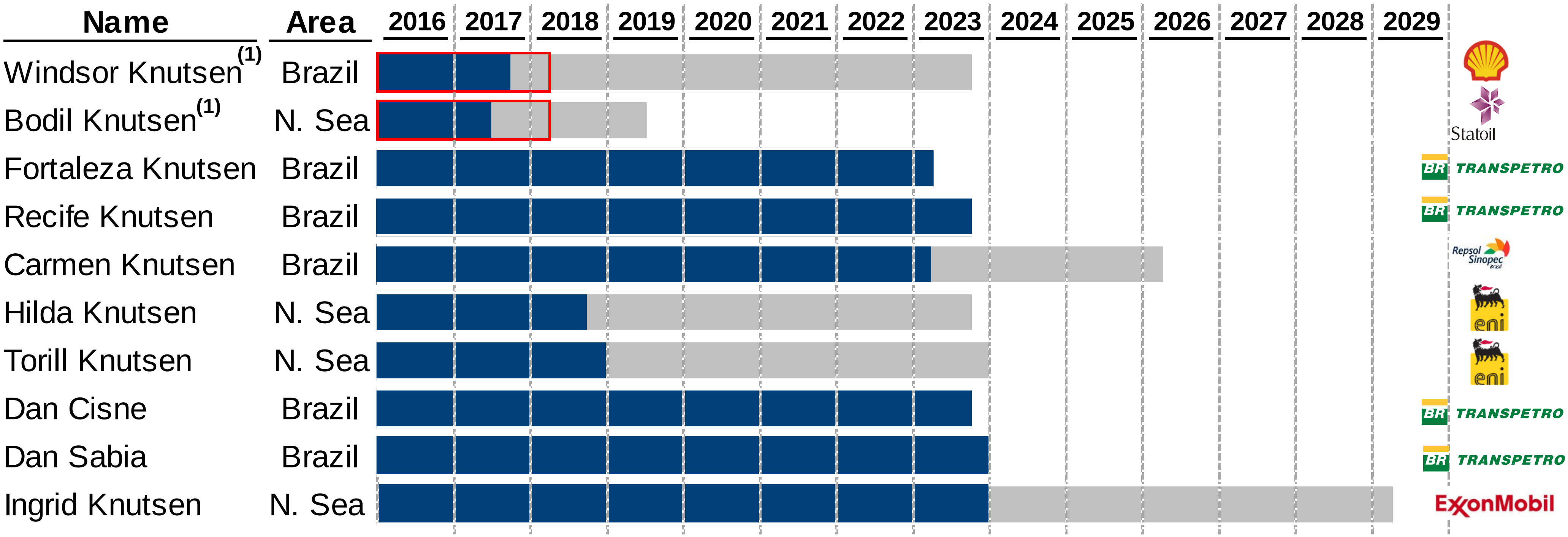
ADJUSTED EBITDA (USD million)



DCF (USD million)



Long-term Contracts Backed by Leading Energy Companies

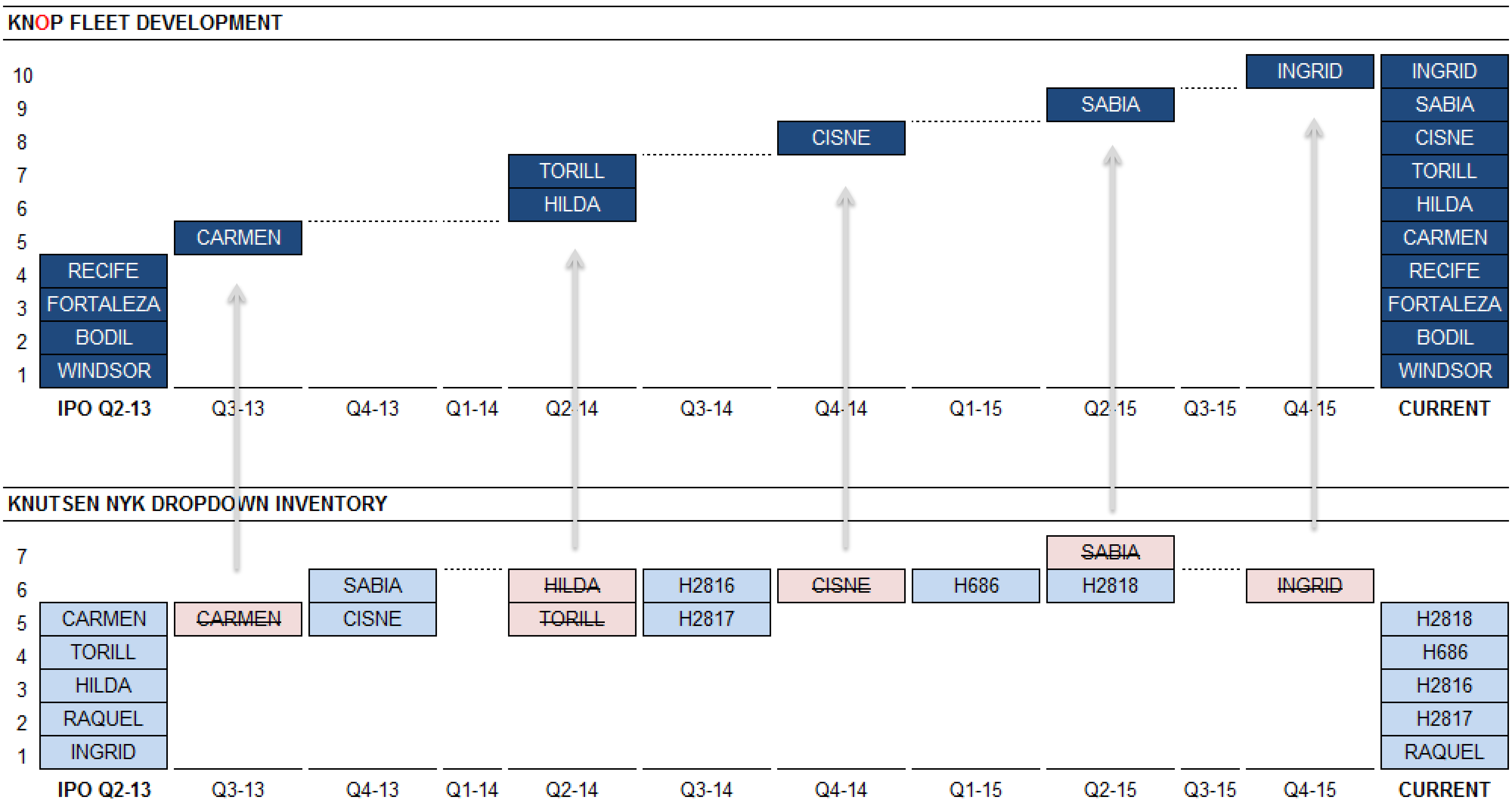


KNOP fleet has average remaining fixed contract duration of 5.6[(2)] years

Additional 2.5 years on average in Charterers option

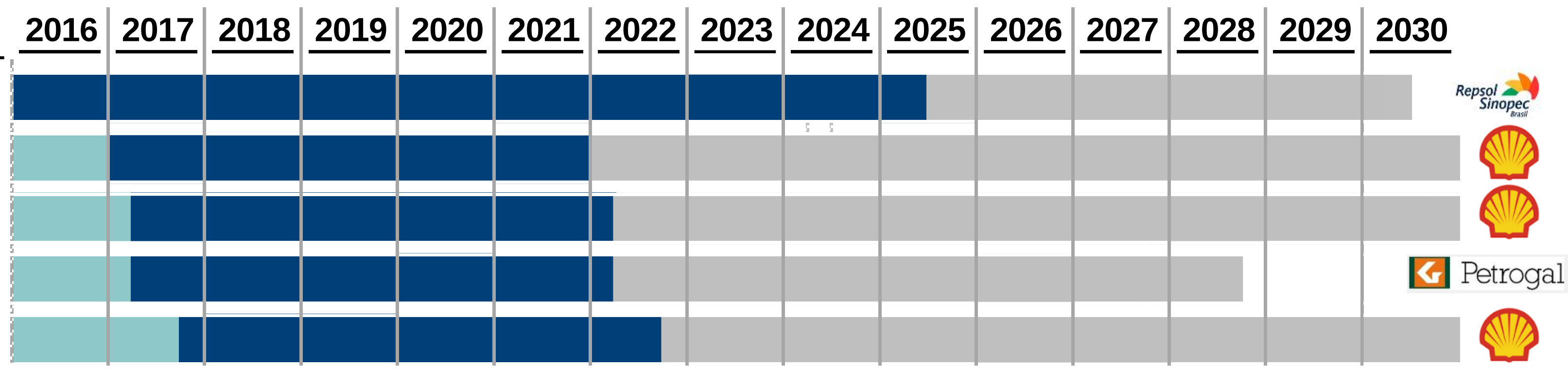
(1) KNOT has guaranteed the hire rate to April 2018 (five years from IPO date)
(2) Remaining contract life is calculated as of 12/31/2015.

Significant fleet growth since IPO



Dropdown inventory: Five potential acquisitions

Name	Area
Raquel Knutsen	Brazil
H2816	Brazil
H2817	Brazil
H686	Brazil
H2818	Brazil



Fixed contract periods for the dropdown fleet are 5.9[(1)] years on average

Charterers also have the option to extend these charters by 11.2 years on average

(1) Remaining contract life is calculated as of 12/31/2015.

Summary

1	**Solid contract base – Revenue backlog of $ 850 million and average contract duration of 5.6 years(1)**
2	**Modern shuttle tanker fleet, average age 4.1 years vs. industry average of 10.3 years(1)**
3	**Excellent operating results – 99.6% average utilisation since IPO**
4	**Large sponser asset base – provide substantial dropdown growth potential**

(1) As of December 31, 2015

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Thank you, any questions ?

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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.

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, 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.