



# **KNOT**

Offshore Partners LP

## **Second Quarter 2021 Results**

August 26, 2021



# Forward Looking Statements

This presentation contains certain forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) that reflect management's current view and involve known and unknown risks and are based upon 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.

All forward-looking statements included in this presentation are made only as of the date of this presentation. KNOP disclaims any obligation and does not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in KNOP's views and expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

There are many factors that may cause actual results to differ from those expressed or implied by these forward-looking statements such as, but not limited to, the following:

- changes in shipping or broader market trends
- the supply and demand of and for shuttle tankers
- Knutsen NYK Offshore Tankers AS's ("KNOT") ability to win new business and deliver vessels under long-term charters and the price of those future (newbuild or secondhand) vessels
- the effects of a worldwide or regional economic slowdown or turmoil in global financial markets or fluctuations in currencies, interest rates or the price of oil or raw materials
- the length and severity of the outbreak of COVID-19, including its impact on business, cash flows and operations as well as the business and operations of its customers, suppliers and lenders
- changes in accounting, law or other regulatory obligations which are or become relevant to KNOP's business
- potential disruption to shipping routes due to matters such as accidents, political events, piracy or acts by terrorists
- modifications that may be made to the Norwegian Tonnage Tax regime and the anticipated taxation of KNOP, its subsidiaries and its distributions to KNOP's unitholders
- KNOT Offshore Partners LP's ("KNOP"):
  - charters and ongoing cash generation from employment of its vessels
  - operations and operating costs
  - vessels values, dry dock costs, bunker costs or impairment of the value of KNOP's vessels
  - access to and cost of debt and equity and the settling of any interest rate swaps, including future sales of KNOP's securities in the public market
  - overall performance and the maintenance of long-term relationships with major users of shuttle tonnage
  - overall financial condition and anticipated growth strategies
  - ability to purchase vessels from KNOT in the future
  - ability to maximize the use of and value from its vessels including the re-deployment or disposition of vessels no longer under long-term charter and termination dates and extensions of charters
  - existing or future customers financial condition and their ability to fulfill their charter obligations
  - ability to make timely purchases and deliveries of newbuilds including the acceptance of a vessel by its charterer
  - ability to compete successfully for future chartering and newbuild opportunities
  - expected cost of, and KNOP's ability to, comply with governmental regulations, maritime self-regulatory standards and standard and regulations imposed by its charterers
  - ability to access and the availability and cost of skilled labor (for both onshore and onboard) and KNOP's ability to manage and retain key employees
  - general and administrative expenses including fees and expenses payable under the technical management agreements, management and administration agreements and administrative services agreements
  - estimated costs of maintenance and replacement capital expenditures
  - customers' and other stakeholders' increasing emphasis on environmental, societal, safety and governance concerns
  - potential liability from any pending or future litigation
  - business strategy and other plans and objectives for future operations, including changes in any such future events and circumstances that may affect these plans or objectives
- 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, 2020 and reports on Form 6K.

## Second Quarter 2021 and Subsequent Highlights - 1

- Generated total revenues of \$70.9 million, operating loss of \$1.2 million and net loss of \$10.9 million after recording a \$29.4 million non-cash write-down in respect of the *Windsor Knutsen*. When adjusted to remove the impact of the non-cash write-down, adjusted operating income for the quarter was \$28.2 million and adjusted net income was \$18.5 million.
- Generated Adjusted EBITDA of \$52.1 million.
- Generated distributable cash flow of \$24.0 million, with a distribution coverage ratio of 1.32.
- Announced cash distribution of \$0.52 per common unit for the 24<sup>th</sup> successive quarter under 1099 structure.
- \$101.6 million in available liquidity at June 30, 2021, which included cash and cash equivalents of \$51.6 million.
- The average margin paid on the Partnership's outstanding debt during the quarter was approximately 2.04% over LIBOR.
- Operated with 96.9% scheduled fleet utilization.<sup>(1)</sup>
- \$642 million of remaining contracted forward revenue, excluding options, at June 30, 2021.

### **Financing update**

- The Partnership can announce that it has entered into a new \$345 million senior secured credit facility in order to refinance the existing term loans related to the *Tordis Knutsen*, the *Vigdis Knutsen*, the *Lena Knutsen*, the *Anna Knutsen* and the *Brasil Knutsen*. The term loans for these vessels otherwise expired between November 2021 and July 2022. The new facility has a balloon payment of \$219 million due at maturity in September 2026 and bears interest at LIBOR plus a margin of 2.05%. Closing of the new credit facility is anticipated to occur in September 2021.
- In the quarter the Partnership has also extended the maturity of its existing \$25 million unsecured revolving credit facility out to with NTT Finance Corporation out to August 2023 on the same terms.
- No further significant refinancing now due until 3Q 2023.
- The Partnership has also entered into a sales agreement with B. Riley Securities, Inc. for an 'at the market' equity program (the "ATM program") whereby the Partnership may offer and sell up to \$100 million of common units, from time to time. In having this program available, it gives the Partnership flexibility and another option under which we may raise growth capital for an accretive acquisition.

<sup>(1)</sup> 96.6% if adjusted for the drydocking of the *Bodil Knutsen*. Both utilization figures include time during which the *Windsor Knutsen* earned loss of hire insurance during its period under repair in the second quarter of 2021.

## Second Quarter 2021 and Subsequent Highlights - 2

### ***Windsor Knutsen***

- In December 2020, the *Windsor Knutsen* reported a crack in its main engine block which has now been fixed and the vessel returned to service on June 10, 2021. The Partnership's insurance is covering the cost of repairs (other than a deductible of \$150,000) and provided income at approximately the level earned during the vessel's prior long-term charter (excepting a 14-day deductible period under the policy).
- The Partnership has agreed on the commercial terms for a one-year fixed time charter contract for the *Windsor Knutsen* (with owner's option to substitute and with charterer's options to extend the charter by one one-year period and then one six-month period) with a major oil company that the Partnership expects to commence in September 2021.
- Following an impairment assessment, the carrying value of the vessel in the Partnership's accounts was reduced by \$29.4 million at June 30, 2021. This non-cash write-down has principally occurred as the carrying value of the vessel in the Partnership's accounts included both the cost of the vessel and the cost of conversion of the vessel to a shuttle tanker from a conventional tanker. There are no other similar converted vessels in the Partnership's fleet.

### ***Bodil Knutsen***

- In May 2021, the Partnership agreed a new time charter contract for the vessel with a major oil company to commence in the fourth quarter of 2023 or the first quarter of 2024 for a fixed period of either one year or two years, and in either case with options to extend the charter by two further one-year periods.
- In May 2021, the Partnership reached an agreement with the VOC Industry Co-operation Norwegian Sector ("VOCIC Norway") whereby VOCIC Norway would fund loss of hire (at a reduced rate) during, and costs related to, the installation of a VOC ("Volatile Organic Compound") recovery plant on the *Bodil Knutsen*.
- The work is expected to be carried out in the third or fourth quarter of 2021 and take around one month. This will significantly improve the operational attractiveness of the vessel in the North Sea and Norwegian sectors going forward as well as virtually eliminate the non-methane VOC released into the atmosphere arising from the vessel's cargo.
- The Partnership is continuing to market the vessel for new time charter employment but in the meantime, to provide support to the Partnership, KNOT have agreed to time charter the vessel initially on a three-month basis and then on a rolling one-month basis, possibly for the remainder of 2021.

## Second Quarter 2021 and Subsequent Highlights - 3

### ***Vigdis Knutsen***

- During July 2021, the *Vigdis Knutsen* was off-hire for 17 days due to an outbreak of COVID-19 on board the vessel which was quickly contained with no serious ill-health caused to any persons affected.

### ***Tordis Knutsen***

- The *Tordis Knutsen* is due for her first planned 5-year special survey drydocking in the fourth quarter of 2021, which is expected to be carried out in Europe. The vessel is expected to be off-hire for approximately 50-55 days, including mobilization to and from Europe.



### ***Change in accounting useful life estimate***

- Whilst not impacting on the cashflow of the Partnership, to reflect prevailing longer-term market trends, the Partnership changed the accounting useful life estimate of its fleet from 25 years to 23 years which will increase the non-cash accounting depreciation charge in all future quarters, beginning in the third quarter of 2021. As this change does not prevent vessels from being utilized beyond 23 years, should a market opportunity arise, the Partnership does not anticipate that this change will have a material impact on its future revenue or cash flows from operations.

# Income Statement

<i>Unaudited, USD thousands</i>	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	FY 2020
Time charter and bareboat revenues	66,513	65,598	69,864	71,241	70,250	278,581
Loss of hire insurance recoveries	4,397	5,882	—	—	—	—
Other income	27	1	(5)	39	9	641
<b>Total revenues</b>	<b>70,937</b>	<b>71,481</b>	<b>69,859</b>	<b>71,280</b>	<b>70,259</b>	<b>279,222</b>
Vessel operating expenses	17,394	18,560	15,565	16,694	13,112	61,005
Depreciation	23,831	23,684	22,466	22,453	22,451	89,743
Write-down <sup>(1)</sup>	29,421	—	—	—	—	—
General and administrative expenses	1,492	1,621	1,410	1,258	1,337	5,392
<b>Total operating expenses</b>	<b>72,138</b>	<b>43,865</b>	<b>39,441</b>	<b>40,405</b>	<b>36,900</b>	<b>156,140</b>
<b>Operating income (loss)</b>	<b>(1,201)</b>	<b>27,616</b>	<b>30,418</b>	<b>30,875</b>	<b>33,359</b>	<b>123,082</b>
Interest income	—	—	4	—	3	125
Interest expense	(6,804)	(7,372)	(6,113)	(6,558)	(8,512)	(31,645)
Realized and unrealized gain / (loss) on derivative instruments	(2,265)	8,011	245	(195)	(3,092)	(25,679)
Other financial items	(394)	(111)	54	955	(72)	(648)
<b>Income (loss) before income taxes</b>	<b>(10,664)</b>	<b>28,144</b>	<b>24,608</b>	<b>25,077</b>	<b>21,686</b>	<b>58,966</b>
Income tax benefit / (expense)	(261)	(3)	(3)	(1)	(3)	(9)
<b>Net income (loss)</b>	<b>(10,925)</b>	<b>28,141</b>	<b>24,605</b>	<b>25,076</b>	<b>21,683</b>	<b>58,957</b>

1. The carrying value of the *Windsor Knutsen* was written down to its estimated fair value as of June 30, 2021, principally as the carrying value of the vessel in the Partnership's accounts included both the cost of the vessel and the cost of conversion of the vessel to a shuttle tanker from a conventional tanker. There are no other similar converted vessels in the Partnership's fleet.

# Adjusted EBITDA

<i>Unaudited, USD thousands</i>	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	FY 2020
<b>Net income (loss)</b>	<b>(10,925)</b>	<b>28,141</b>	<b>24,605</b>	<b>25,076</b>	<b>21,683</b>	<b>65,225</b>
Interest income	—	—	(4)	—	(3)	(125)
Interest expense	6,804	7,372	6,113	6,558	8,512	31,645
Depreciation	23,831	23,684	22,466	22,453	22,451	89,743
Write-down <sup>(1)</sup>	29,421	—	—	—	—	—
Income tax (benefits) expense	261	3	3	1	3	10
EBITDA	49,392	59,200	53,183	54,088	52,646	186,498
Other financial items <sup>(2)</sup>	2,659	(7,900)	(299)	(760)	3,164	26,327
<b>Adjusted EBITDA <sup>(3)</sup></b>	<b>52,051</b>	<b>51,300</b>	<b>52,884</b>	<b>53,328</b>	<b>55,810</b>	<b>212,825</b>

1. The carrying value of the *Windsor Knutsen* was written down to its estimated fair value as of June 30, 2021, principally as the carrying value of the vessel in the Partnership's accounts included both the cost of the vessel and the cost of conversion of the vessel to a shuttle tanker from a conventional tanker. There are no other similar converted vessels in the Partnership's fleet.
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.
3. Adjusted EBITDA is a non-GAAP financial measure used by management and external users of our financial statements. Please see the Appendix for a definition of Adjusted EBITDA.

# Distributable Cash Flow

<i>Unaudited, USD thousands</i>	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	FY 2020
<b>Net income (loss)</b>	<b>(10,925)</b>	<b>28,141</b>	<b>24,605</b>	<b>25,076</b>	<b>21,683</b>	<b>65,225</b>
<i>Add:</i>						
Depreciation	23,831	23,684	22,466	22,453	22,451	89,743
Write-down	29,421	—	—	—	—	—
Other non-cash items; amortization of deferred debt issuance cost	656	1,102	617	624	626	2,503
Other non-cash items; accrued revenue	353	350	279	278	276	1,108
Unrealized losses from interest rate derivatives and forward exchange currency contracts	179	—	—	—	2,792	22,042
<i>Less:</i>						
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(17,622)	(17,622)	(15,102)	(15,102)	(15,102)	(60,408)
Distributions: Series A Convertible Preferred Units	(1,700)	(1,800)	(1,800)	(1,800)	(1,800)	(7,200)
Other non-cash items; deferred revenue and accrued income	(228)	(228)	(228)	(228)	(228)	(912)
Unrealized gains from interest rate derivatives and forward exchange currency contracts	—	(11,921)	(2,264)	(2,379)	—	—
<b>Distributable Cash Flow <sup>(1)</sup></b>	<b>23,965</b>	<b>21,706</b>	<b>28,573</b>	<b>28,922</b>	<b>30,698</b>	<b>112,101</b>
<b>Total distributions</b>	<b>18,150</b>	<b>18,034</b>	<b>18,034</b>	<b>18,034</b>	<b>18,034</b>	<b>72,136</b>
<b>Distribution Coverage Ratio <sup>(2)</sup></b>	<b>1.32</b>	<b>1.20</b>	<b>1.58</b>	<b>1.60</b>	<b>1.70</b>	<b>1.55</b>

1. Distributable cash flow is a non-GAAP financial measure. Please see the Appendix 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 thousands</i>	At Jun 30, 2021	At Dec 31, 2020		At Jun 30, 2021	At Dec 31, 2020
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents	51,589	52,583	Current portion of long-term debt	351,370	184,188
Inventories	1,762	2,652	Derivative liabilities	9,984	10,695
Amounts due from related parties	3,264	5,726	Contract liabilities	1,518	1,518
Other current assets	14,381	11,237	Current lease liabilities	641	652
			Other current liabilities	21,217	16,878
<b>Total current assets</b>	<b>70,996</b>	<b>66,472</b>	<b>Total current liabilities</b>	<b>384,730</b>	<b>213,931</b>
<b>Long-term assets:</b>			<b>Long-term liabilities:</b>		
Net vessels and equipment	1,642,026	1,708,786	Long-term debt	646,348	846,157
Right-of-use assets	3,061	1,490	Lease liabilities	2,419	838
Intangible assets, net	378	681	Derivative liabilities	8,495	19,358
Derivative assets	168	—	Contract liabilities	1,410	2,168
Accrued income	2,164	2,867	Deferred tax liabilities	294	295
<b>Total long-term assets</b>	<b>1,647,797</b>	<b>1,713,824</b>	<b>Total long-term liabilities</b>	<b>658,966</b>	<b>868,816</b>
			Convertible Preferred Units	84,367	89,264
			<b>Total partners' equity</b>	<b>590,730</b>	<b>608,285</b>
<b>Total assets</b>	<b>1,718,793</b>	<b>1,780,296</b>	<b>Total equity and liabilities</b>	<b>1,718,793</b>	<b>1,780,296</b>

# Forward Contracted Revenue Backed by Leading Energy Companies

At June 30, 2021:

- Remaining forward contracted revenue of \$642million (exc. options) and average remaining charter of 2.3 years
- Charterers also have the option to extend these charters by a further 2.8 years on average

Vessel	Age (years)	2020	2021	2022	2023	2024	2025	2026	Contract type	Current charterer	Charterer's extension options (up to)
Windsor Knutsen	14								-	-	-
Bodil Knutsen	10								Time charter	KNOT	-
Fortaleza Knutsen	10								Bareboat charter	Transpetro	-
Recife Knutsen	10								Bareboat charter	Transpetro	-
Carmen Knutsen	8								Time charter	Repsol	3 years
Hilda Knutsen	8								Time charter	Eni	3 years
Torill Knutsen	8								Time charter	Eni	2 years
Dan Cisne	10								Bareboat charter	Transpetro	-
Dan Sabia	9								Bareboat charter	Transpetro	-
Ingrid Knutsen	8								Time charter	Vår Energi	5 years
Raquel Knutsen	6								Time charter	Repsol	5 years
Tordis Knutsen	5								Time charter	Shell	-
Vigdis Knutsen	4								Time charter	Shell	-
Lena Knutsen	4								Time charter	Shell	-
Brasil Knutsen	8								Time charter	Galp	6 years
Anna Knutsen	4								Time charter	Galp	6 years
Tove Knutsen	1								Time charter	Equinor	13 years
Average vessel age	7.5										

- Firm charter period
- Charterer's option periods
- Expected loss of hire insurance coverage
- Commercial terms agreed for one-year charter commencing 3Q 2021, owner's option to substitute, and charterer's options to extend

# Dropdown Inventory at Sponsor – 6 Potential Acquisitions<sup>(1)</sup>

At June 30, 2021:



Average contracted charter length of 5.3 years

Charterers also have the option to extend these charters by a further 7.3 years on average

Vessel	Expected delivery	2020	2021	2022	2023	2024	2025	Charterer	Fixed contract period (years)
Synnøve Knutsen		Under construction	Vessel utilised by Sponsor before Equinor charter	Time charter	Time charter	Time charter	Time charter	Equinor	5
Tuva Knutsen		Under construction	Under construction	Time charter	Time charter	Time charter	Time charter	Total	5
Live Knutsen	2021	Under construction	Under construction	Time charter	Time charter	Time charter	Time charter	Galp	5
Hull 5482	2022		Under construction	Under construction	Time charter	Time charter	Time charter	ENI	7
Hull 5483	2022		Under construction	Under construction	Time charter	Time charter	Time charter	ENI	5
Hull 786	2022		Under construction	Under construction	Time charter	Time charter	Time charter	PetroChina	5



Under construction



Time charter

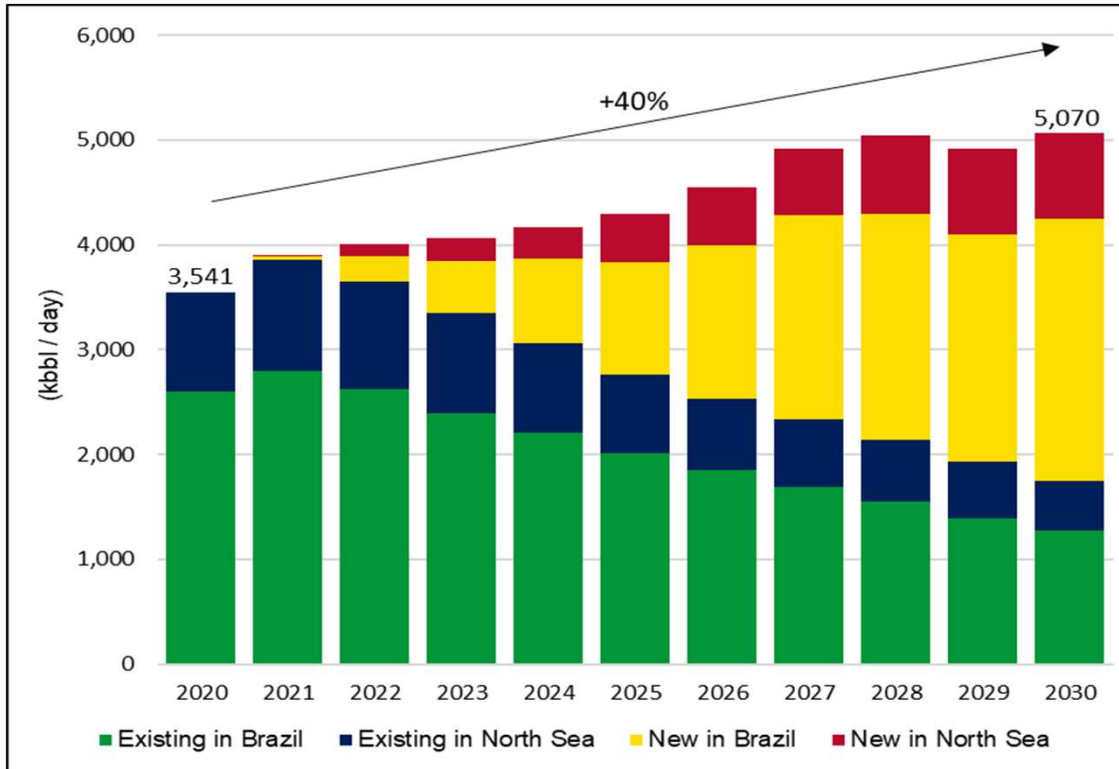


Vessel utilised by Sponsor before Equinor charter

(1) The acquisition by KNOP of any dropdown vessels in the future is subject to approval of the independent Conflicts Committee as well as the board of directors of each of KNOP and Knutsen NYK. There can be no assurance that any potential dropdowns will occur.

# Scheduled Start-ups to Outpace Declines

## Oil production in shuttle tanker-serviced fields



- High levels of already contracted and further expected FPSO <sup>(1)</sup> activity in Brazil support the premise that projects will go ahead, and shuttle tanker demand will increase.
- Petrobras and Equinor, for example, target oil projects with breakeven prices of <\$35.
- Petrobras lifting cost for offshore Brazil deep-water oil in pre-salt areas in 4Q 2020 was US\$4.47 / BOE (exc. taxes). <sup>(1)</sup>
- Petrobras production in pre-salt areas in 2Q 2021 totalled 1.96 MMBOED and represented 70% of Petrobras' total oil production <sup>(2)</sup>
- Increasing vessel newbuild prices provides an increasingly favorable environment for re-chartering of existing vessels

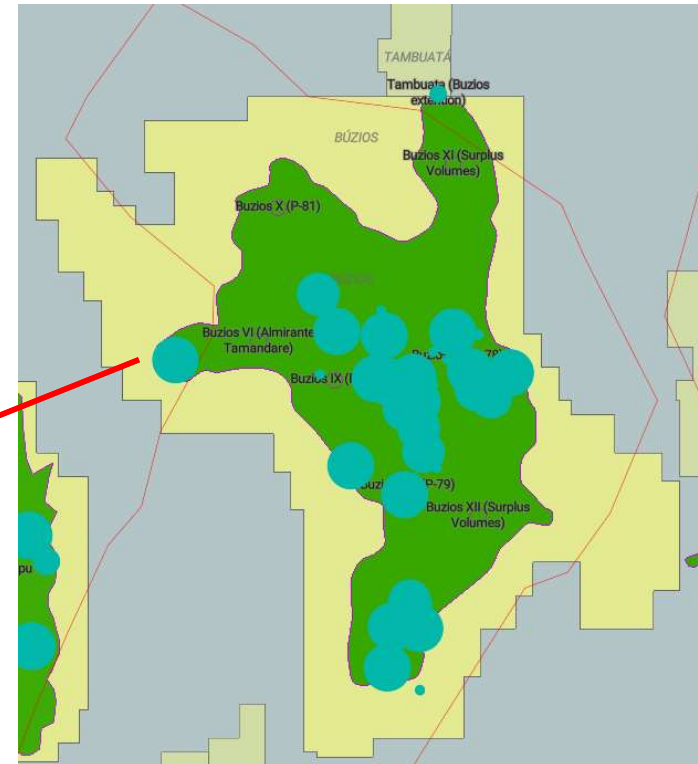
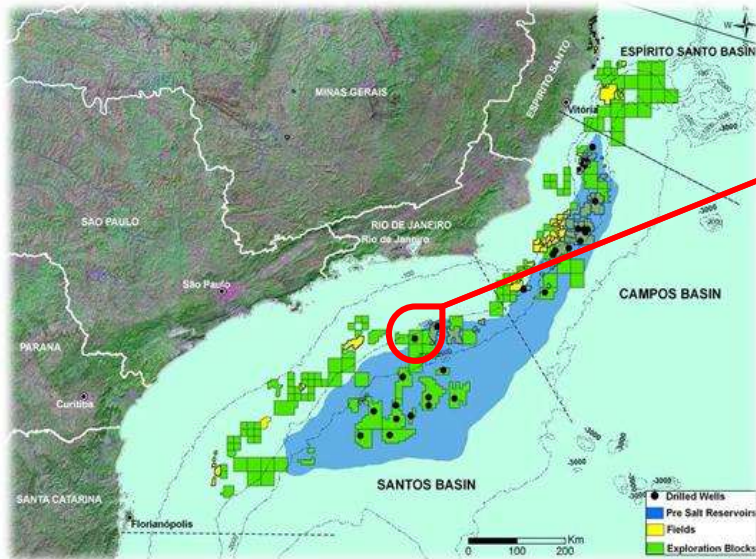
(1) Floating production, storage and oil transfer unit

(2) Source: Petrobras S.A. Operational and Financial Indicators report 4Q 2020

(3) Source: Petrobras S.A. Highlights on production and sales in 2Q21 press release, July 22, 2021

# Oil Production Growth in Brazil

“The Búzios field, discovered in 2010, is the largest deep-water oil field in the world. It is a world-class asset, with substantial reserves, low risk, and low lifting cost. It should reach the end of the decade with daily production above 2 million barrels of oil equivalent per day\*, becoming the Petrobras asset with the highest production.”



“Currently, there are four units operating in Búzios, which account for more than 20% of Petrobras' total production. The fifth and sixth platforms (FPSOs Almirante Barroso and Almirante Tamandaré) are under construction, and the eighth and ninth units (FPSOs P-79 and P-80) are in the contracting process.”

\* Petrobras produced 1.62 MMBOED in 2Q 2021 across all its pre-salt fields combined (source: Petrobras Production and Sales report 2Q 2021)

Text source: Petrobras press release May 10, 2021 - Petrobras signs contract to build seventh unit in Búzios

Maps source: Large scale map unknown, Búzios map showing license, field and wells courtesy of Rystad Energy

# ESG: Improving Efficiency, Reducing Emissions, and Driving Progress

- KNOP is dedicated to upholding Environmental, Social, and Governmental (“ESG”) principles and driving progress in the shipping industry and beyond.
- Second annual ESG report to be published shortly, providing further transparency on performance and initiatives in line with industry best practices and utilizing NSA Guidelines and the framework of the Poseidon Principles.<sup>(1)</sup>
- Installation of Ballast Water Treatment system, and (in Q3/Q4 2021) VOC recovery plant on *Bodil Knutsen* which will virtually eliminate the release of non-methane VOC from oil cargoes into atmosphere.
- Sponsor has ordered two next-generation LNG-fueled shuttle tankers, establishing further pathway to continuing improvements in emissions performance.
- Throughout 2020 (and to date in 2021), fleet experienced no serious incidents or casualties, and has suffered no serious financial downside from COVID-related issues.
- Robust anti-corruption practices and policies and Supplier Code of Conduct in place.



POSEIDON  
PRINCIPLES



MACN  
Maritime Anti-Corruption Network



Norwegian Centres of Expertise  
NCE Maritime CleanTech



INTERTANKO

(1) Widely adopted by operating companies and financial institutions across maritime industries, the Poseidon Principles communicate relevant information to lenders, lessors, and financial guarantors, allowing them to assess and disclose climate-related metrics of their portfolios alongside traditional financial metrics by providing: (1) Measurement of carbon intensity and an assessment of company climate alignment; and (2) accountable data using IMO standards for collecting data on fuel consumption from ships. In this way the Poseidon Principles provide a framework for integrating climate considerations into lending decisions to promote international shipping's decarbonization.

## Near-term Priorities

- Continue to operate our vessels safely and efficiently and ensure the health and safety of our crew and employees.
- Target stability in our results and in our distribution.
- Focus efforts on securing new near-term charter contract(s) for the *Bodil Knutsen*.
- Continue to consider options and possibilities for a further internally-financed dropdown later in 2021.
- Publish our 2020 ESG report.
- Begin to prepare for drydocking of *Tordis Knutsen*.
- Continue ongoing close dialogue with our customers concerning operations, and chartering and re-chartering to ensure we can respond flexibly to demand opportunities as they arise.



## Summary



- Another strong and stable quarter with utilization of 96.9% for scheduled operations (if *Windsor Knutsen* included).
- Distributable cashflow of \$24.0m, with coverage of 1.32.
- Paid quarterly distribution of \$0.52 for 24<sup>th</sup> consecutive quarter.
- \$642m of remaining contracted forward revenue, excluding options, at the end of the quarter.
- Strong support from lenders, no significant refinance due until 3Q 2023.
- The Partnership's operations are not exposed to short-term fluctuations in oil prices, volume of oil transported or global oil storage capacity.
- Recent effects of COVID on customers' capex schedules have created headwinds for shuttle tanker demand, but other than *Windsor Knutsen* (expected charter start date in Sept 2021), *Bodil Knutsen* and *Tordis Knutsen* (planned drydock to commence in 4Q 2021), our fleet remains fully contracted for remainder of 2021.
- In the mid to long-term, oil production in Brazil and North Sea from shuttle tanker serviced fields is expected to grow significantly and though we expect to continue to face market softness in 2022, the shuttle tanker market's fundamentals and growth prospects, our liquidity and our market leading position allow us to remain optimistic for the future.

# Questions



# Appendix



# KNOP Attributes



- We are a market leader in the operation of shuttle tankers with more than **30 years continuous experience** and investment in this business.
- KNOP is **classified as a corporation** for U.S. federal income tax purposes. A U.S. holder of KNOP common units will receive a Form 1099 to report distributions received (not a Form K-1).
- Specialist vessels with **limited replacement risk** and critical infrastructure required to deliver oil production from projects that have significant upfront investments, long lifespans and often low marginal production costs.
- Vessels have **operational flexibility** as they typically are capable of servicing many different fields.
- **High barriers to entry** due to the specialist nature of the asset, capital cost and need for an operating track record.
- Multiple financially **strong contractual counterparties**.
- Target **fixed rate contracts** that are typically 1 to 7 years and that do not depend on short-term oil prices, where the customer bears vessel utilisation risk and all operational costs including fuel.
- Management strategy remains to operate the business on a **prudent basis** and **focus on long-term stability** as far as possible, to provide an attractive distribution.
- A diversified revenue stream where no individual vessel contract accounts (or is currently expected to account) for more than **10% of total EBITDA**.
- **Debt paydown** of c. \$90m p.a., an extensive banking portfolio with **access to attractive bank finance** and several key lender relationships.

# 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.

## 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.