



**KNOT**  
Offshore Partners LP



Oslo, March 2, 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.

Except for the historical information contained herein, the matters discussed in this presentation include forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, among other things, market conditions and other factors that are described in KNOT Partners' filings with the U.S. Securities and Exchange Commission, which are available on the SEC's website at <http://www.sec.gov>.

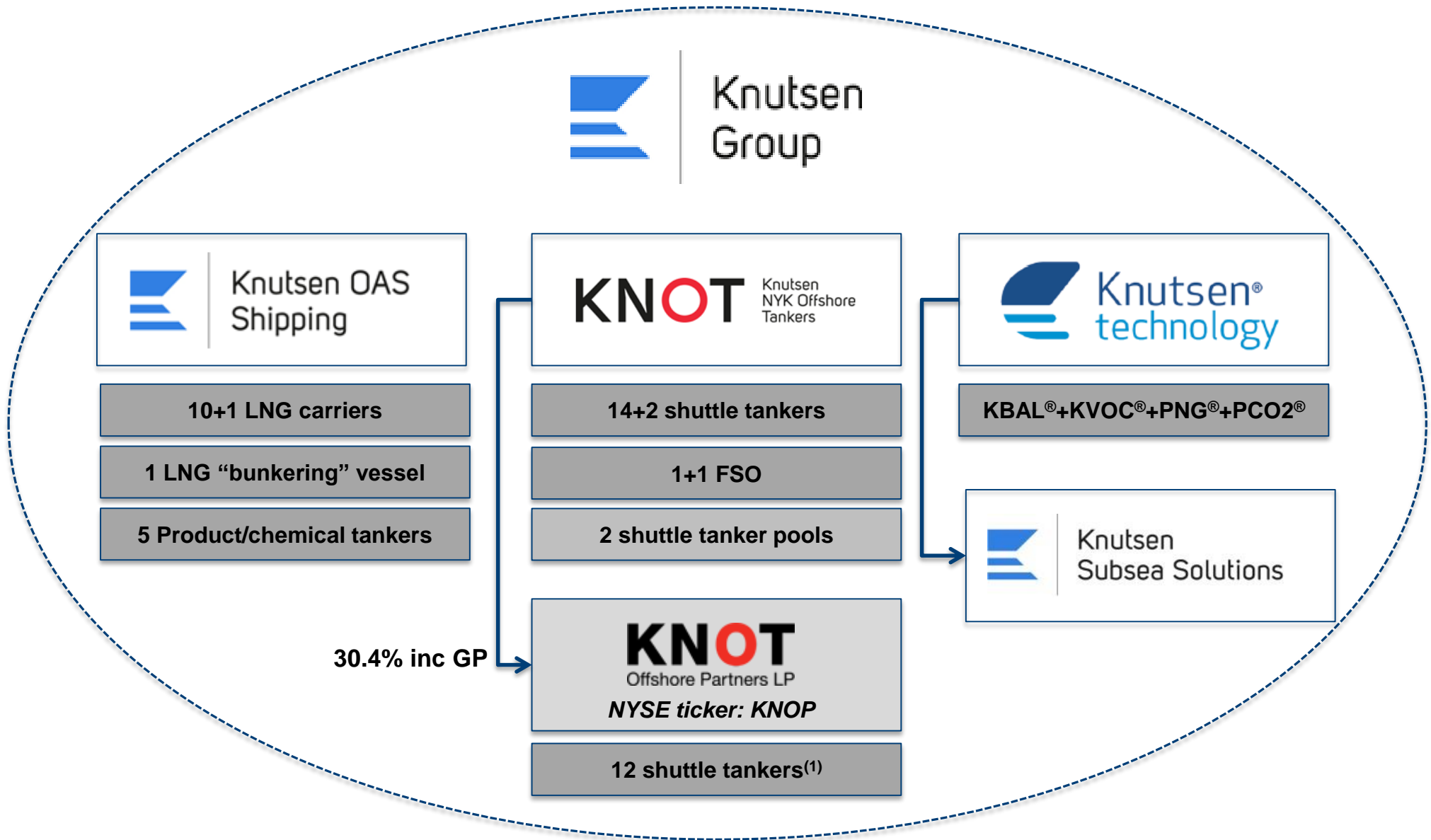
Nevertheless, new factors emerge from time to time, and it is not possible for KNOT Partners to predict all of these factors. Further, KNOT Partners cannot assess the impact of each such factor on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. KNOT Partners 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.

# Agenda

**1. Knutsen Group**

**2. KNOT Offshore Partners LP (KNOP)**

# Where KNOP fits into the Knutsen sphere



(1) Assumed closing of Tordis Knutsen March 1, 2017

# 253 years of shipping experience

**Sponsor is a Joint Venture between TS Shipping Invest and Tokyo-listed NYK Group**



Knutsen  
Group



- Knutsen Group is a fully integrated shipping company with operations in multiple shipping segments including:
  - **Knutsen NYK Offshore Tankers: shuttle tankers and Floating Storage & Offloading (FSO)**
  - Knutsen OAS Shipping: Liquefied Natural Gas (LNG) carriers and product / chemical tankers
  - Knutsen Technology: marine shipping technology development
- Headquartered in Haugesund, Norway – origin dates back to 1896
- Controlled by KNOP Chairman Trygve Seglem through TS Shipping Invest AS
- Nippon Yusen Kabushiki Kaisha (“NYK”) is a global logistics enterprise centered on various forms of marine transport
  - NYK was established in 1885
  - According to Clarkson’s Research, NYK is the world’s largest shipping company
  - Listed on the Tokyo Stock Exchange with a market cap of \$ ~4bn
- Ownership in approx. 800 vessels and 35,000 employees
- Joined as co-owner of Knutsen NYK Offshore Tankers in 2010

**Fully integrated shipping business operating a fleet of high quality and technically advanced vessels, with key customers consisting of leading energy companies on long-term contracts**

- Provides full in-house management including chartering, commercial and technical management as well as building supervision, conversion and project development
- Highly experienced operator with a strong commitment to safety and to service reliability
- Long-term relationships with well-respected clients, including a number of blue-chip oil majors

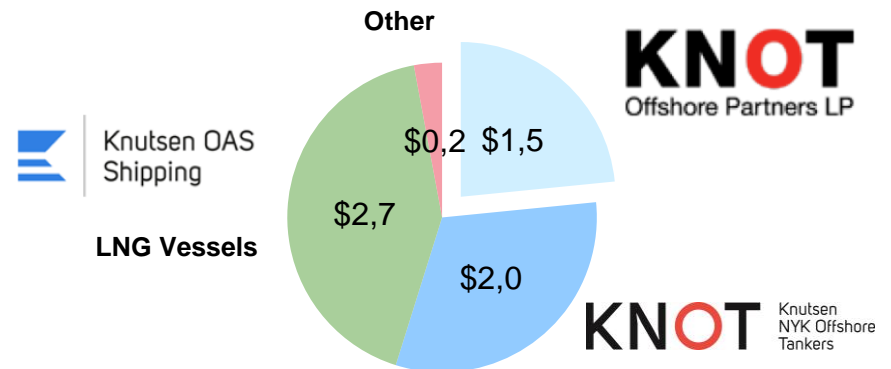
## Four Pillar Strategy

Four pillar strategy has stayed firm for more than 30 years



## High Value Fleet

Insurance value of Knutsen managed fleet is \$6.3 billion





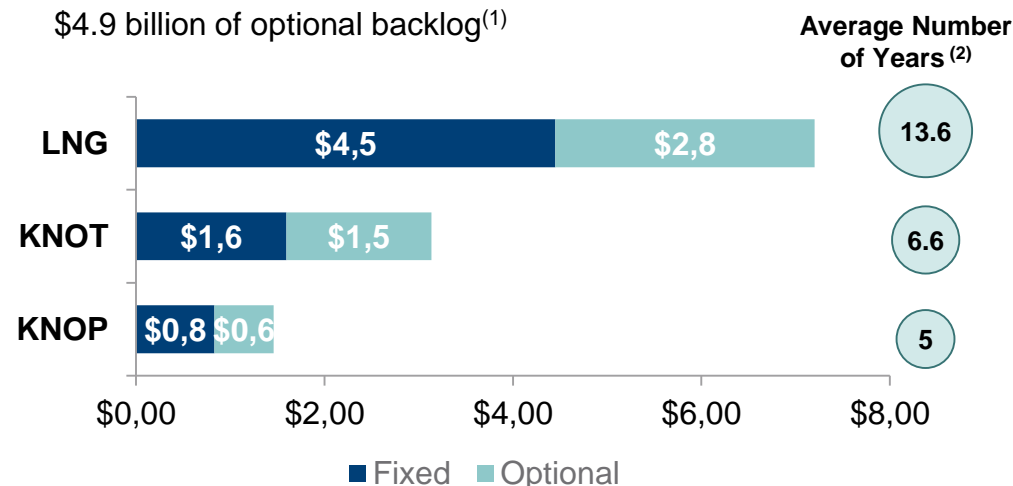
# Knutsen Group: Four Pillar Strategy

## 1 Advanced Vessels

- KNOP's fleet of DP2 shuttle tankers has a average age of 4.7 years vs. industry average of 11.5 years (rest of fleet)
- LNG carriers have an average age of 7.7 years
  - Newer vessels have MEGI engine configuration with full re-liquefaction capacity
- KNOT operates medium-age shuttle tankers and FSO on TCP and COAs while new buildings on long-term charter are dropdown candidates for KNOP
- Product / chemical tanks are all classed with high ice class and equipped with stainless steel tanks enabling them to carry sophisticated products and chemicals

## 2 Long-term Contracts

- Knutsen managed fleet has \$6.9 billion of firm backlog and \$4.9 billion of optional backlog<sup>(1)</sup>



## 3 First Class Charterers



## 4 Safety Commitment

	<b>KNOT</b> Offshore Partners LP		
	Shuttle tankers		
	2016	2015	2014
Loss Time Injury Frequency (LTIF)	0,00	0,00	0,68
Total Recorded Case Frequency (TRCF)	0,48	0,96	1,35
Number of Major Accidents	0	0	0
Port State Detentions	0	0	0
Sick leave	1,0 %	1,0 %	0,7 %
Fleet utilization	99,9 %	99,8 %	99,1 %

Last LTI in Knutsen Group: 11,496,672 hours ago ...and counting

Source: Company, as of December 31, 2016 except for LTI which is 31 January 2017

1. Figures are as of December 31, 2016. Firm backlog is based on revenue on agreed hire rate for the fixed charter period and optional backlog is revenue based on hire rate in the optional period.

2. Average years for KNOT is backlog divided by expected operating income for 2016 due to two segments shuttle tankers.

# Midstream Energy is a Stable Segment

**Midstream assets, like our shuttle tankers, are regarded as “mission-critical” or “must-run” components of the energy market**

## Sector Overview

- Midstream assets serve to gather, store, transport and process oil, natural gas and natural gas liquids (NGLs) from their production source within the upstream market to end users such as utilities, industrial businesses and residential homes that constitute the downstream market
- Midstream assets typically have favorable characteristics:
  - Low risk profile versus upstream assets
  - High barriers to entry
  - Attractive cash flow from operations
- Structural change, from assets being held by major oil and integrated E&P companies as a “necessity” to being held by Master Limited Partnerships (MLPs) and integrated infrastructure companies as a profit center

## Low Risk Profile

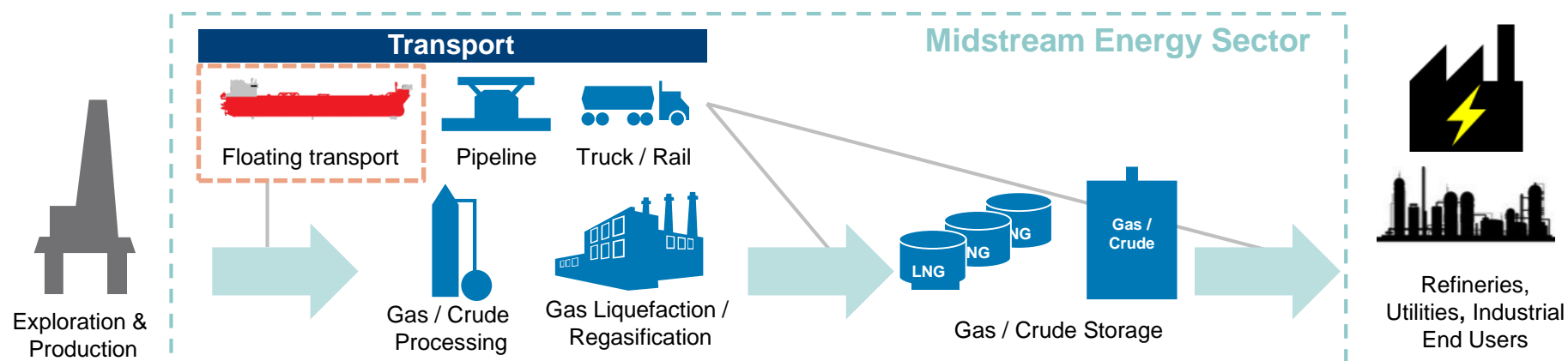
- Long-lived, high quality physical assets operating in the lower-risk segment of the energy chain
- Relatively low level of commodity price exposure, particularly versus upstream assets
  - Revenues derived from fee-based contracts that are largely insensitive to commodity price fluctuations

## High Barriers to Entry

- Significant cost of investment and natural monopoly structure prevent competitors from entering and disrupting margins
- Long- term contracted transportation and processing agreements reduces competitor risk

## Attractive Cash Flow from Operations

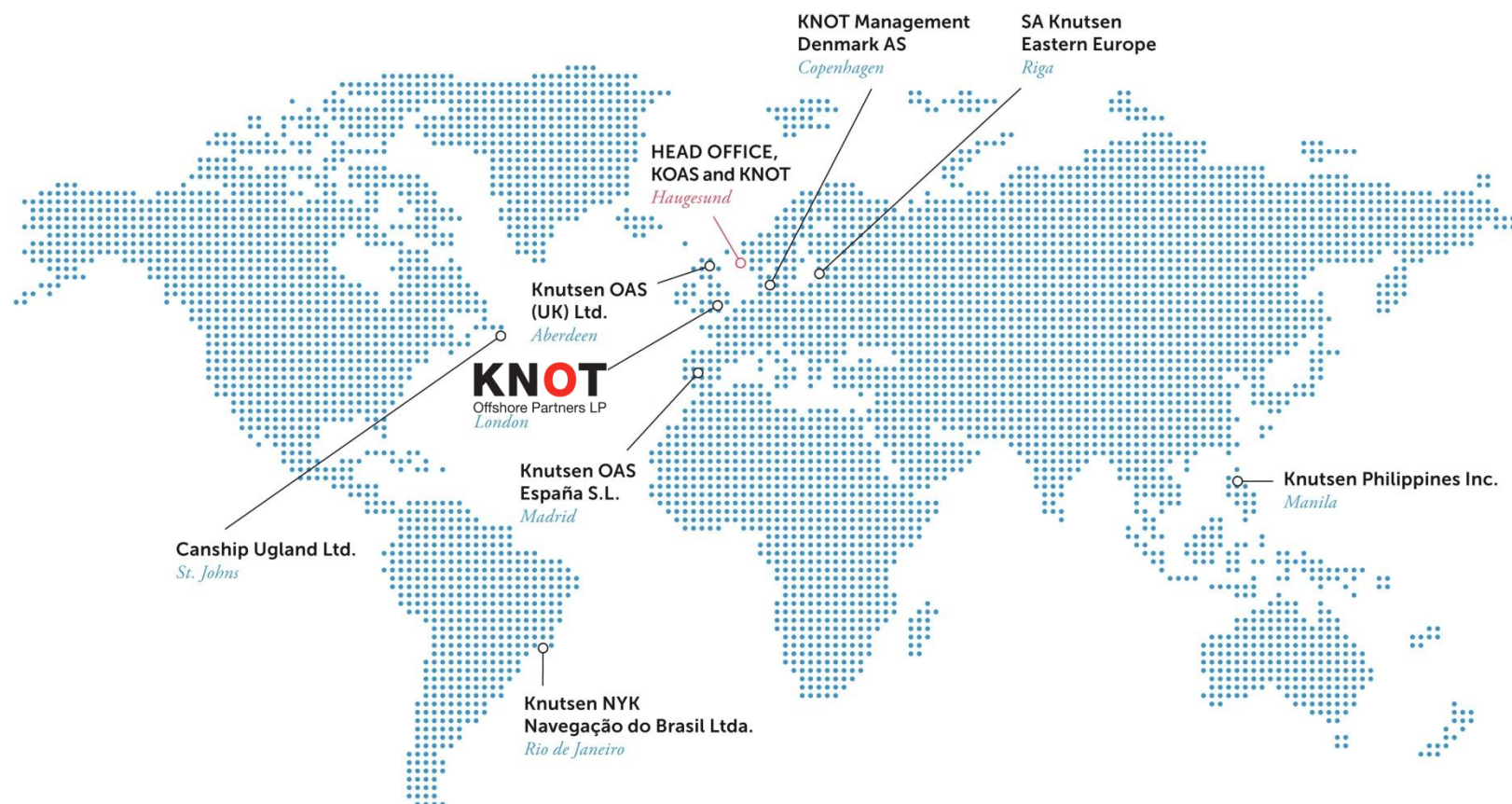
- Revenue forecast clarity from long-term fee-based contracts
- Contracts usually entail inflation escalation



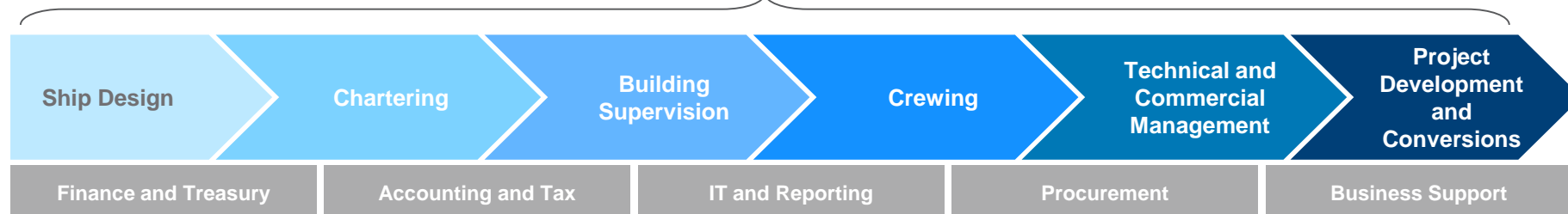


# Knutsen's Global Presence

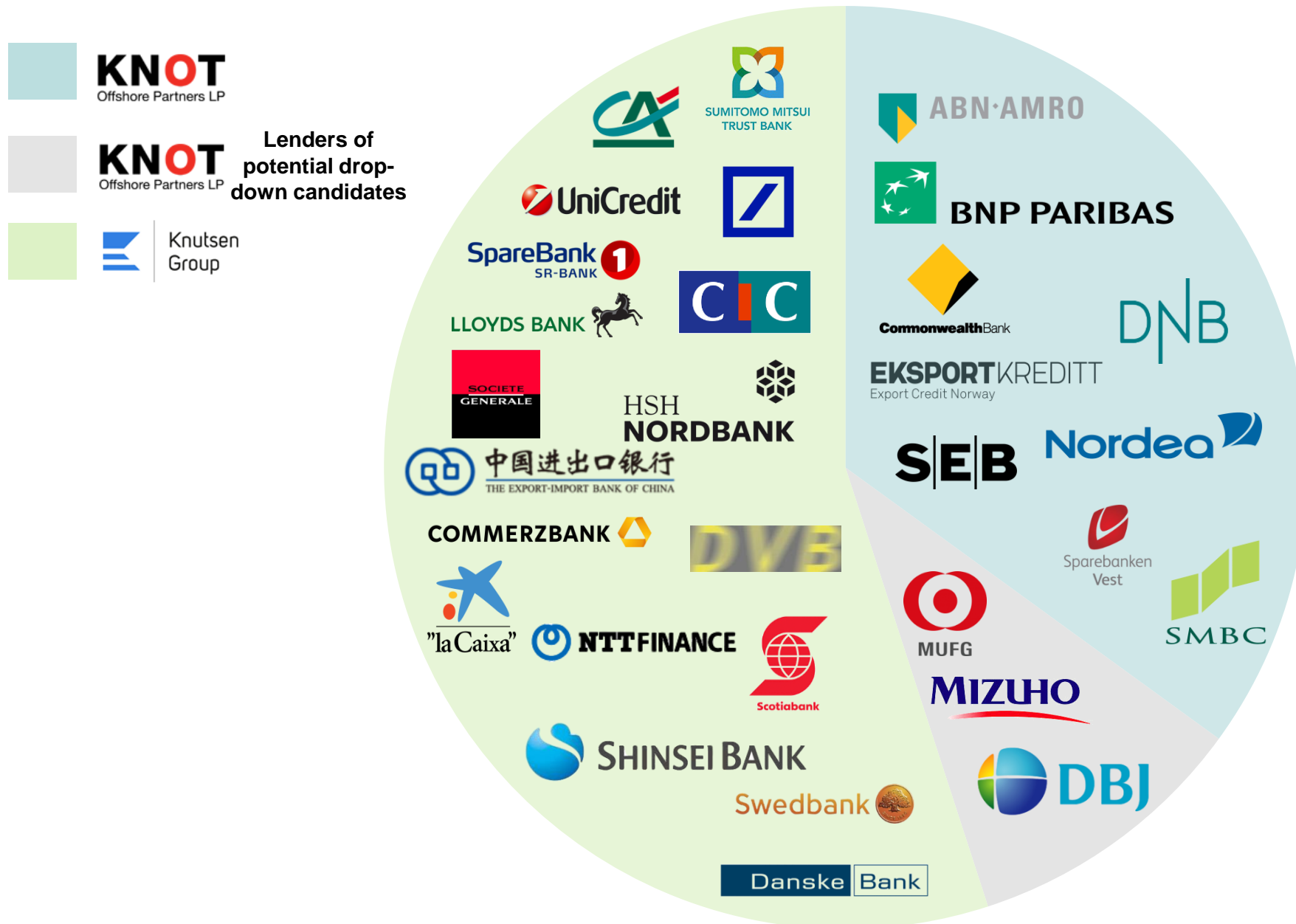
Knutsen is a fully integrated industrial shipping company with a worldwide footprint



Technology and Product development (KBAL<sup>®</sup> + KVOC<sup>®</sup> + PNG<sup>®</sup> + PCO2<sup>®</sup>)



# The Knutsen sphere has extensive banking relationships



# Worldwide sourcing of attractive and flexible capital



Knutsen OAS  
Shipping



2 LNG carriers for GasNatural

\$380m Secured Term Loan Facility  
due 2026

April 2014



1 LNGc for GasNatural

\$220m USPP IG Senior Secured  
Notes due 2032 @ 4.66%

November 2016

**KNOT**

Knutsen  
NYK Offshore  
Tankers



3 Shuttle tankers for Shell

\$353m Secured Term Loan Facility  
due 2021/2022 @ L+190bps

May 2015



**SHINSEI BANK**

General Corporate Purposes

\$40m Unsecured Revolving Credit  
Facility due 2020

December 2016

**KNOT**  
Offshore Partners LP



Existing \$380m loan for 5 vessels

\$15m Secured Revolving Credit  
Facility due 2019 @ L+250bps

June 2016



**OFFSHORE  
MERCHANT  
PARTNERS**

General Corporate Purposes

\$50m Preferred Perpetual Convertible  
Equity @ 8% with strike \$24

December 2016

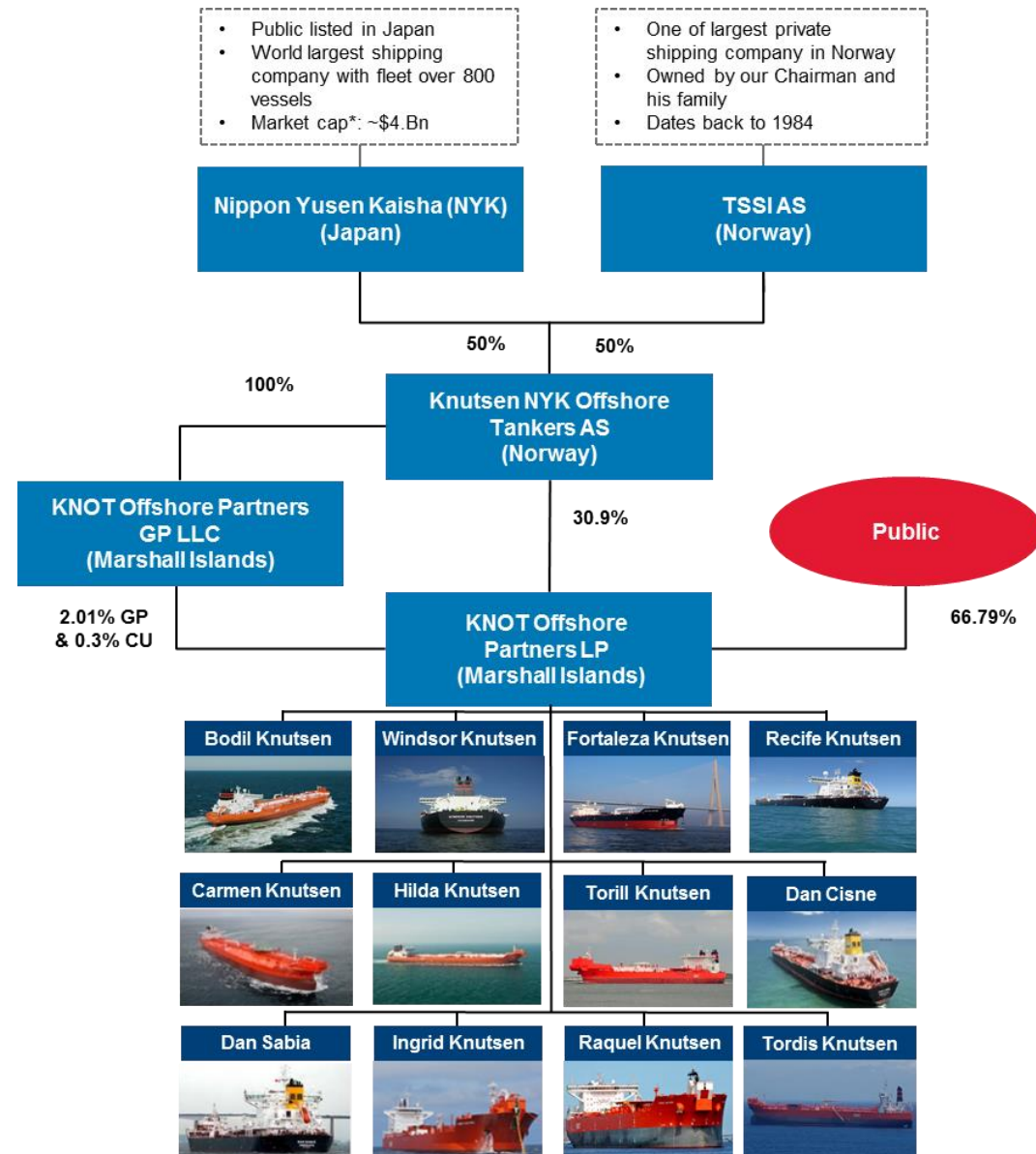
# Agenda

1. Knutsen Group

**2. KNOT Offshore Partners LP (KNOP)**

# Company overview

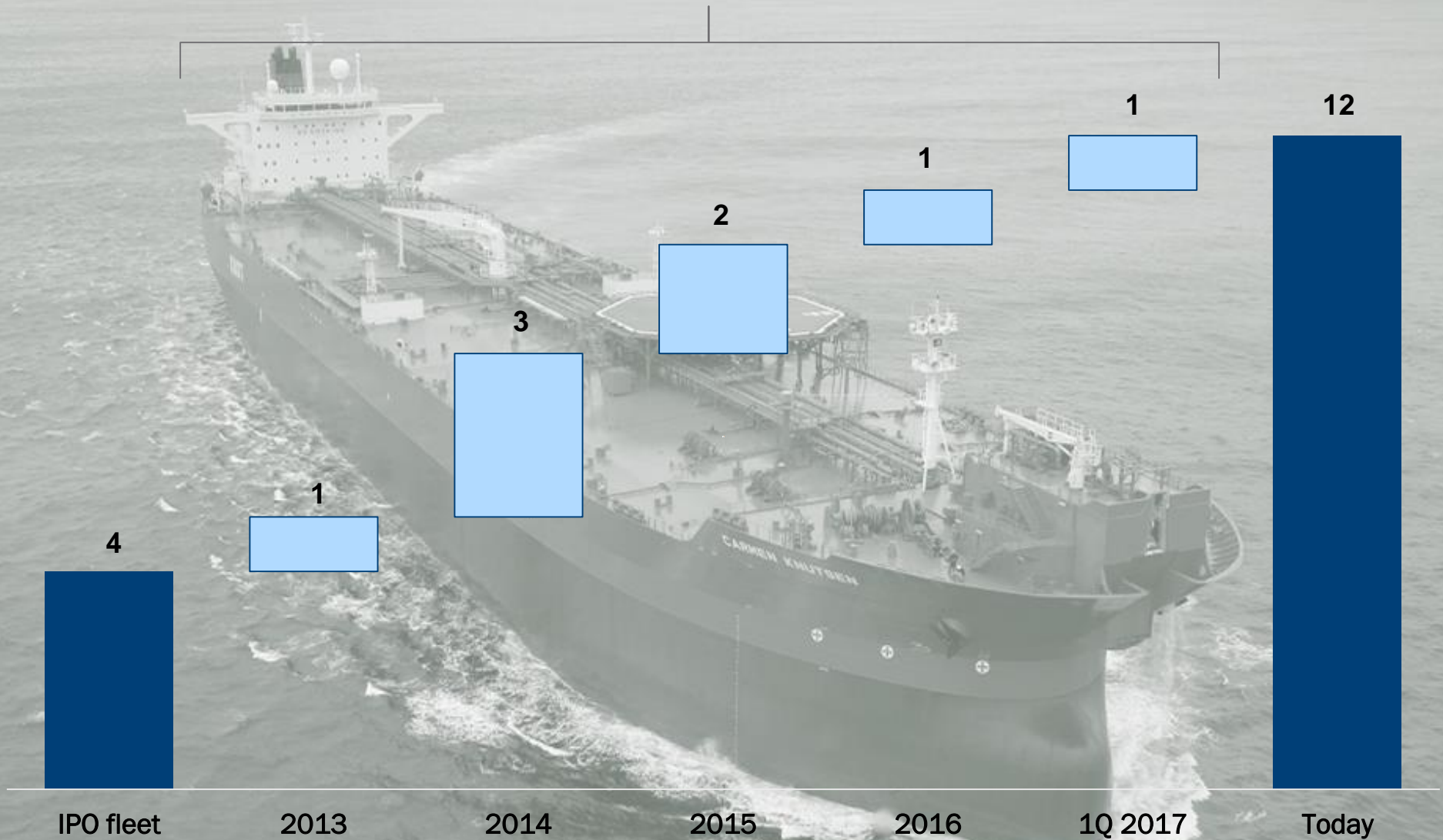
- IPO April 2013, fleet of four vessels
- Today a fleet of twelve state advanced shuttle tankers i.e. 200% fleet growth
- All vessels secured under long term fixed-fee revenue contracts with leading oil majors
- Visible growth potential with three drop-down candidates from Sponsor
- Annual distribution currently \$2.08, yielding 9.2% with share price \$22.65
- Attractive 1099 structure, not K-1





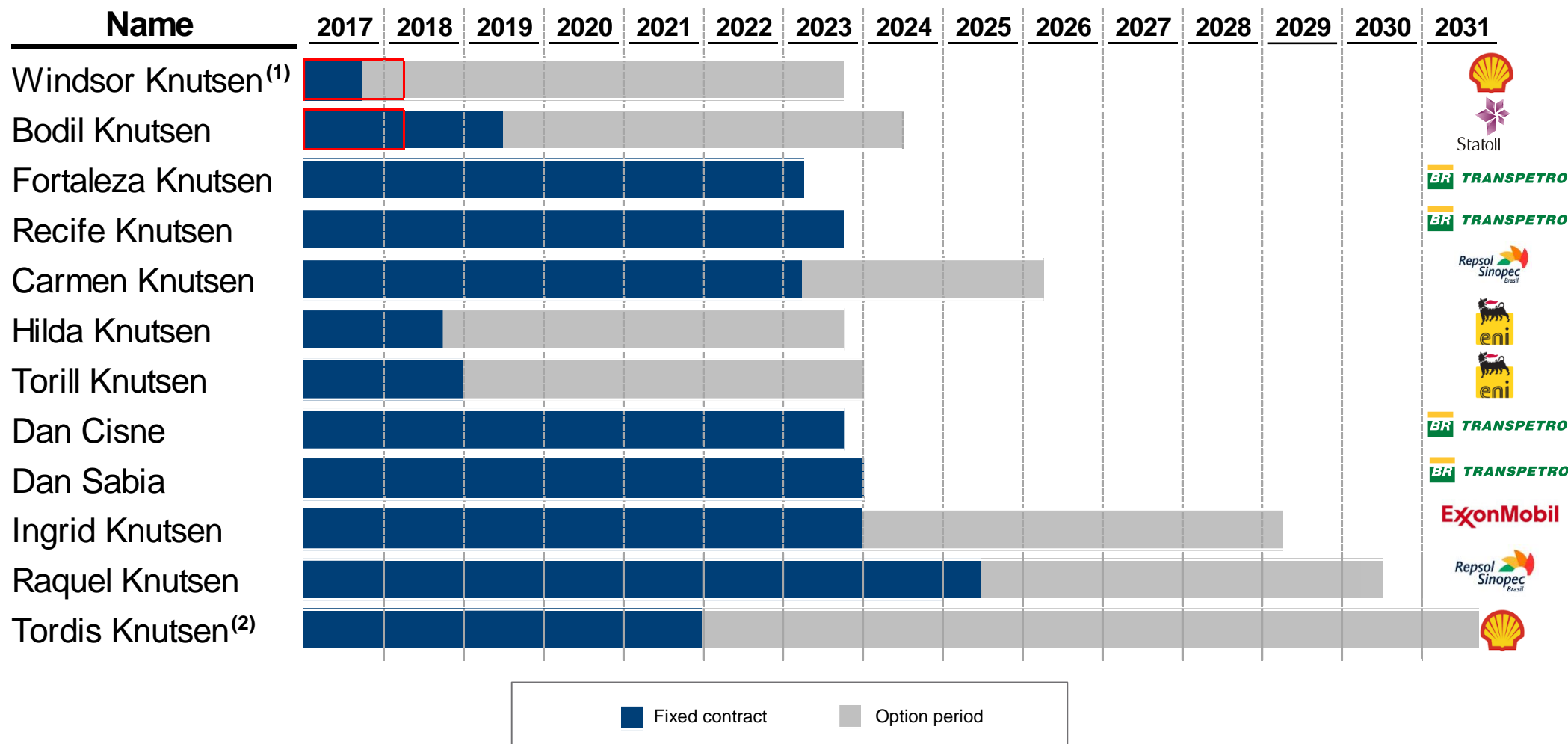
# Significant growth fleet since IPO

**200% fleet growth since IPO**





# Long-term Contracts Backed by Leading Energy Companies



***KNOP fleet has average remaining fixed contract duration of 5.0<sup>(2)</sup> years***

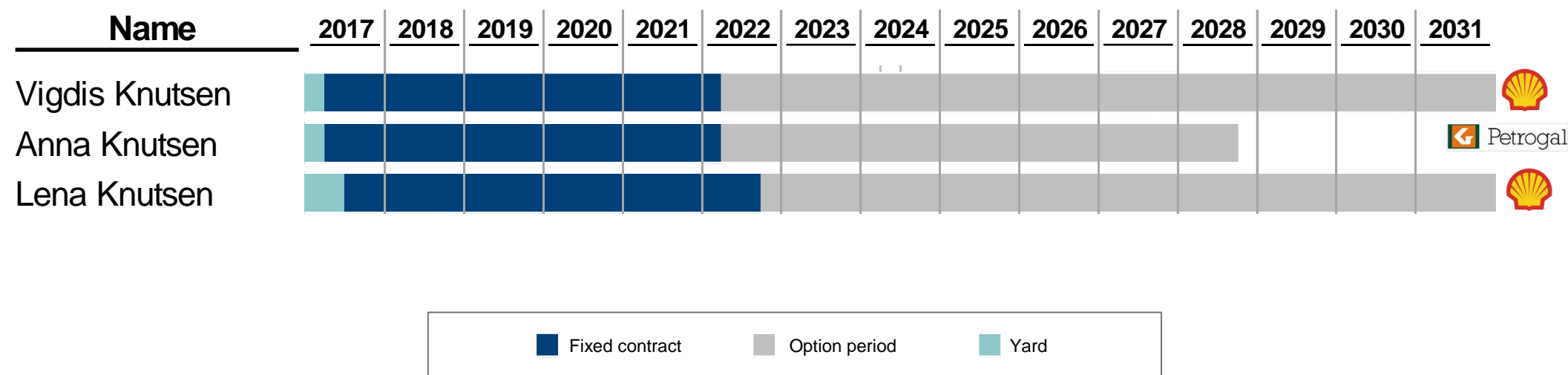
***Additional 3.6 years on average in Charterers option***

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

(2) Purchase Agreement executed; closing anticipated with approximately 30 days after the execution of the Purchase agreement

(3) Remaining contract life is calculated as of 31/12/2016, including the acquisition of Tordis Knutsen

# Dropdown inventory: Three potential acquisitions<sup>(1)</sup>

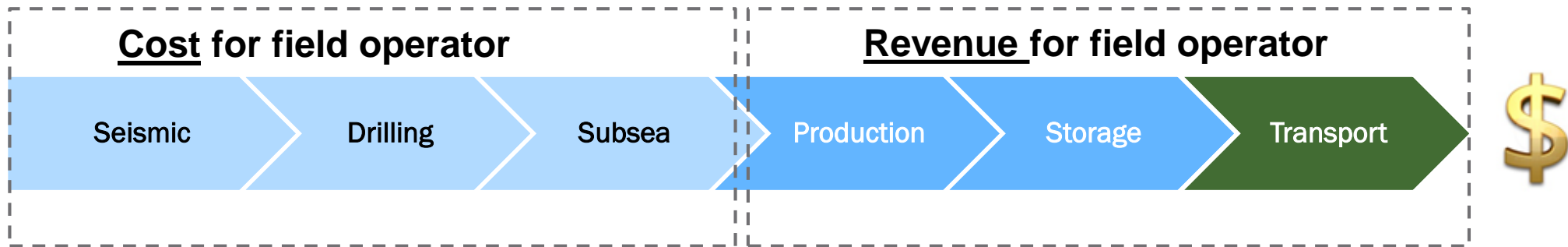


***Fixed contract periods for the dropdown fleet are 5.0<sup>(2)</sup> years on average***  
***Charterers also have the option to extend these charters by 12.0 years on average***

(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 our sponsor. There can be no assurance that any potential dropdowns will occur.

(2) Remaining contract life is calculated as of 31/12/2016.

# A Critical Component of Operator Infrastructure: Shuttle Tankers are substituting pipelines in Deep Sea oil production



## Advantages vs. Pipelines

- Superior, more economical alternative with lower initial investment in certain fields based on:
  - Distance from infrastructure
  - Water depth
  - Seabed terrain
  - Field size
  - Field life
- Destination flexibility
- Less capital expenditures
- Lease and services contracts
- Mobility of “pipeline”



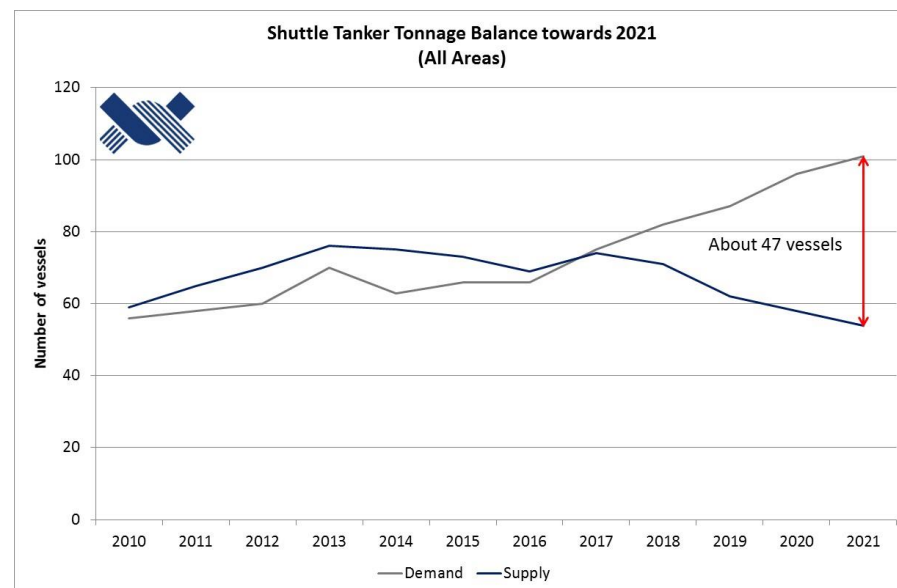
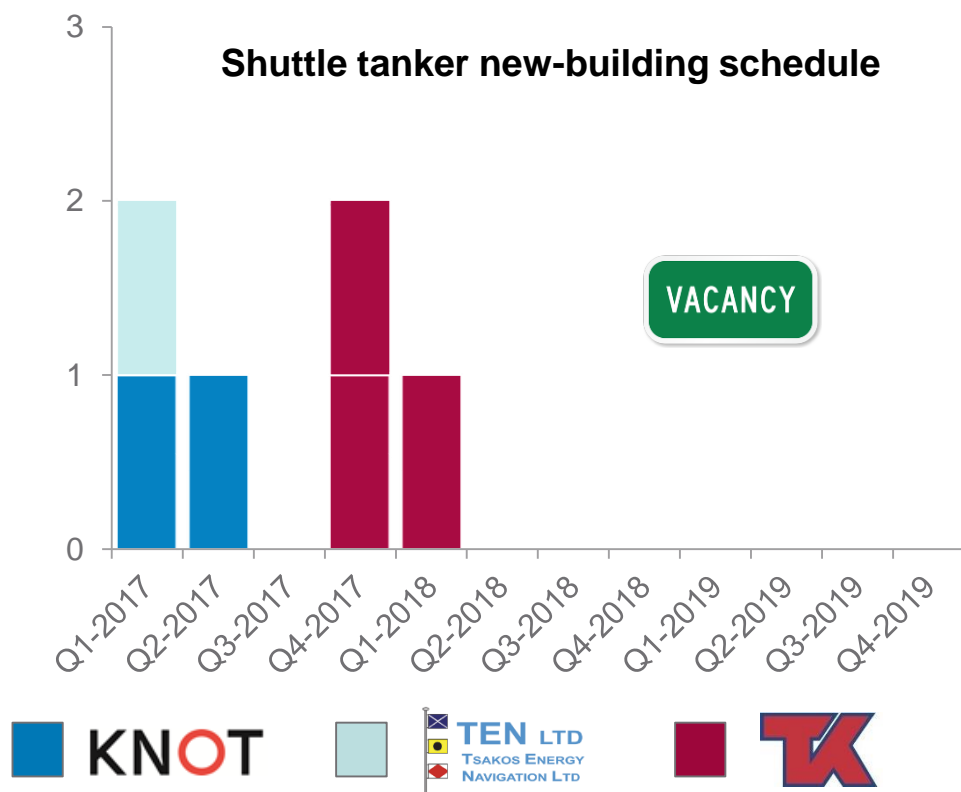
## Key Differences vs. Conventional Tankers

- Specially designed tankers with sophisticated bow loading and submerged turret loading equipment
  - Dynamic Positioning (DP) systems enable 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

# Very tight market for shuttle tankers

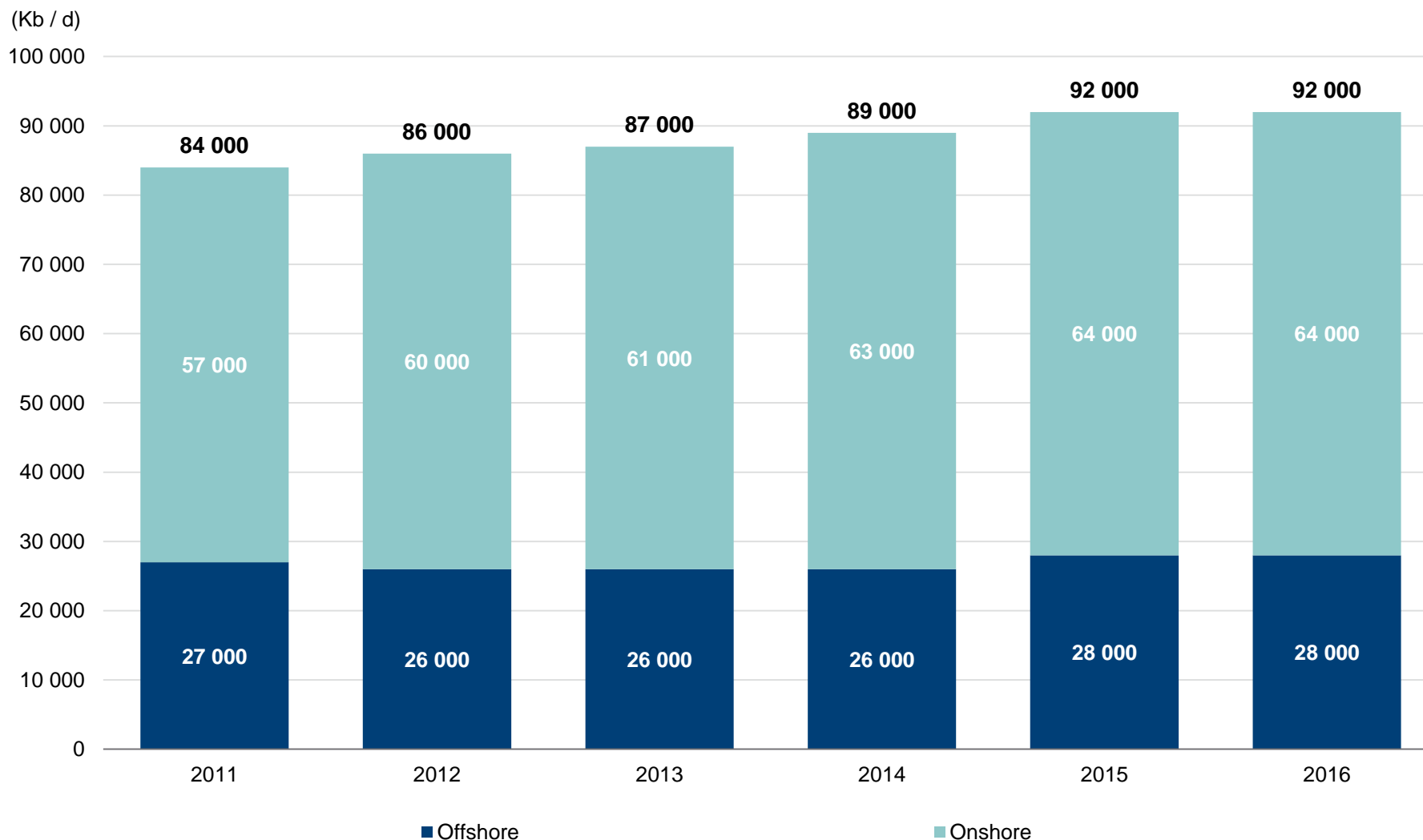
- The market for shuttle tankers is very tight
- Favourable supply side
  - 24 months since last order of a shuttle tanker
  - Total-order book of six vessels – no speculative
  - All vessels secured long-term contracts

- Fairly old fleet with average age of ~11 years
- Attrition and conversion of shuttle tankers for FSO/FPSO means few available vessels
- Tight market gives comfort on employment when renewal is due for Windsor and Bodil (charter has option to 2023/2024 respectively)
  - Mgt. expects Hilda and Torill to continue operation on Goliat field due to their unique technical specification, ENI has options to 2023



# Offshore vs. Onshore Production

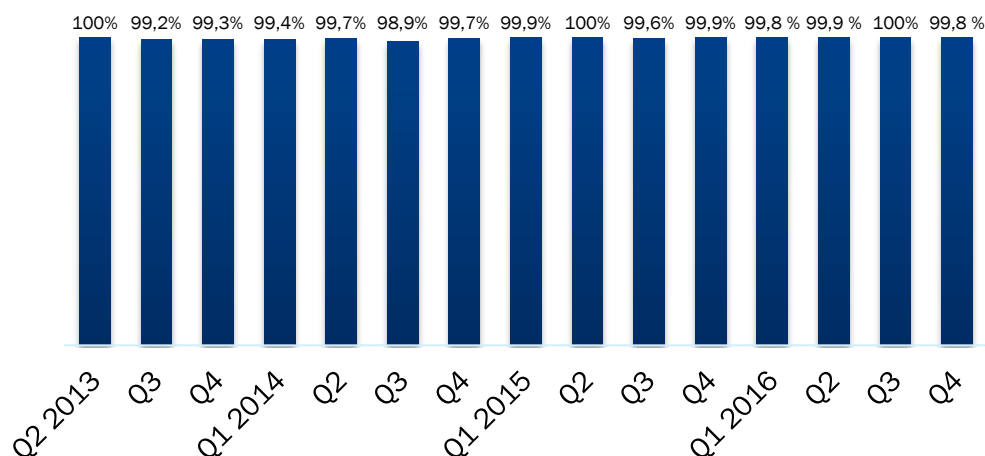
**2016 offshore production levels increased due to new projects in areas such as off the coast of Brazil and in the Gulf of Mexico**



# Stable operational performance results in stable financial performance

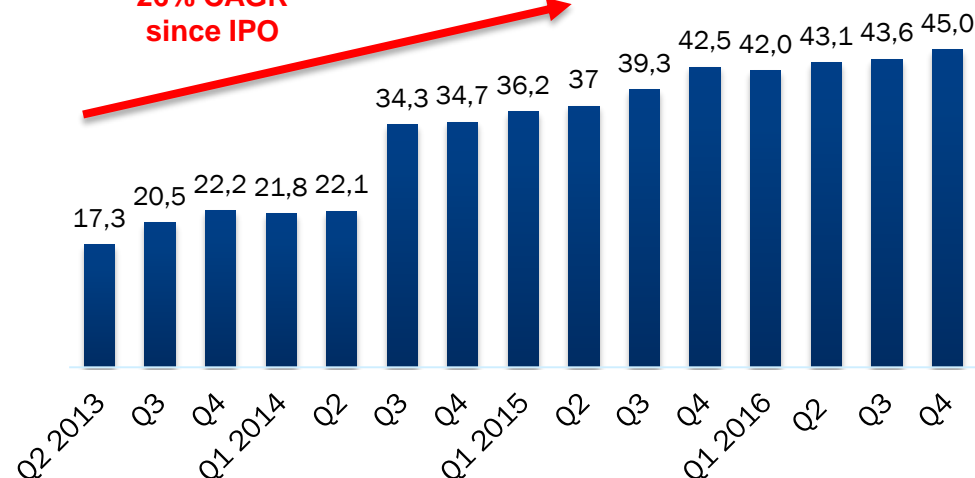
## FLEET UTILIZATION (%)

**Average of 99.7 % since IPO**



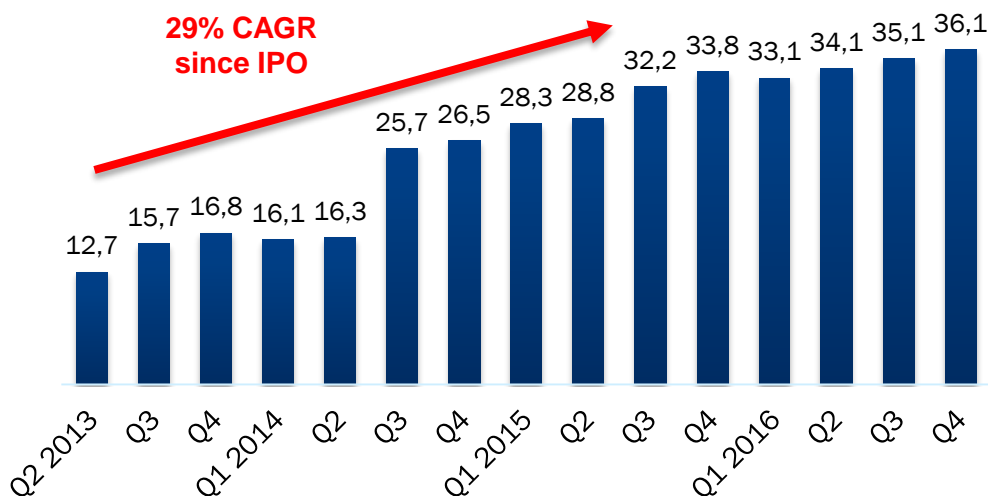
## REVENUE (USD million)

**26% CAGR since IPO**



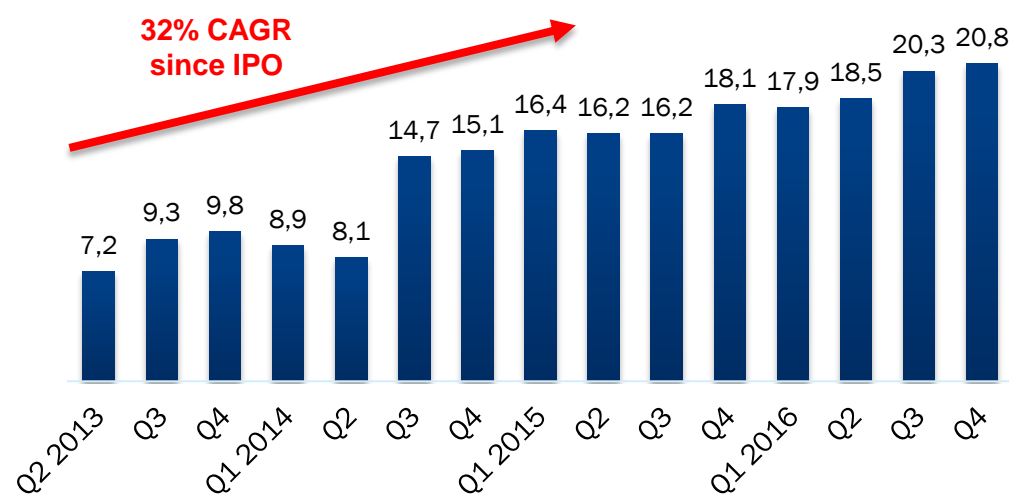
## ADJUSTED EBITDA<sup>(1)</sup> (USD million)

**29% CAGR since IPO**



## DCF<sup>(1)</sup> (USD million)

**32% CAGR since IPO**



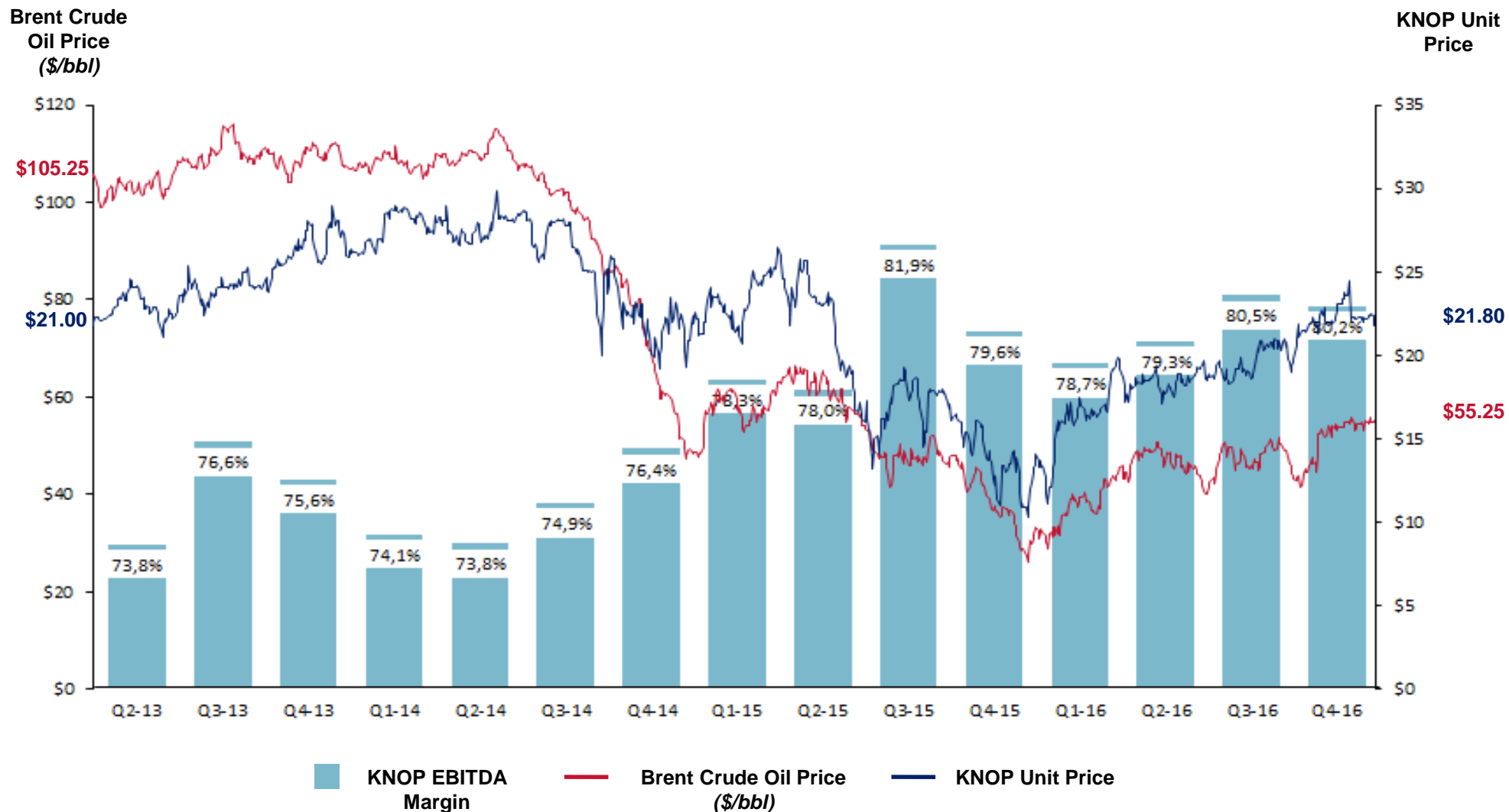
(1) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures used by management and external users of our financial statements. Please see Appendix A for definitions of Adjusted EBITDA and distributable cash flow and a reference to reconciliation to net income, the most directly comparable GAAP financial measure.



# Solid and easy to understand balance sheet

<i>Unaudited, USD in thousands</i>	At December 31, 2016	At December 31, 2015		At December 31, 2016	At December 31, 2015
<b>Current assets:</b>			<b>Current liabilities</b>		
Cash and cash equivalents	27,664	23,573	Current portion of long-term debt	58,984	48,535
Inventories	1,176	849	Derivative liabilities	3,304	5,138
Other current assets	2,239	1,858	Contract liabilities	1,518	15,18
			Other current liabilities	13,561	10,345
<b>Total current assets</b>	<b>31,079</b>	<b>26,280</b>	<b>Total current liabilities</b>	<b>77,637</b>	<b>65,536</b>
			<b>Long-term liabilities:</b>		
			Long-term debt	657,662	619,187
			Long-term debt related parties	25,000	—
			Derivative liabilities	285	1,232
			Contract liabilities	8,239	9,757
			Deferred tax liabilities	685	877
<b>Long-term assets:</b>			Other long-term liabilities	1,056	2,543
Net vessels and equipment	1,256,889	1,192,927	<b>Total liabilities</b>	<b>770,564</b>	<b>699,132</b>
Derivative assets	3,154	695			
Accrued income	1,153	—			
<b>Total long-term assets</b>	<b>1,261,196</b>	<b>1,193,622</b>	<b>Total partners' equity</b>	<b>521,712</b>	<b>520,770</b>
<b>Total assets</b>	<b>1,292,275</b>	<b>1,219,902</b>	<b>Total equity and liabilities</b>	<b>1,292,275</b>	<b>1,219,902</b>

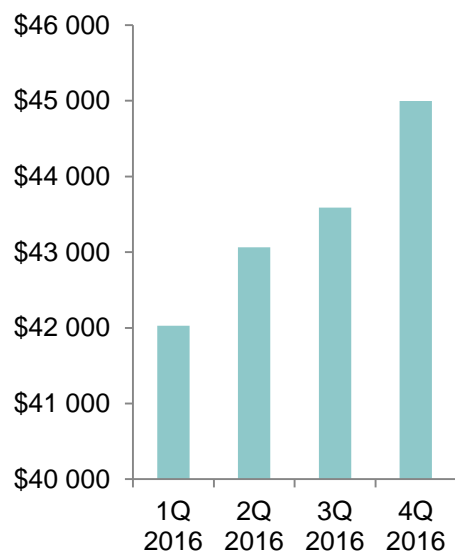
# Our contracts are fixed price - not fixed to price of oil



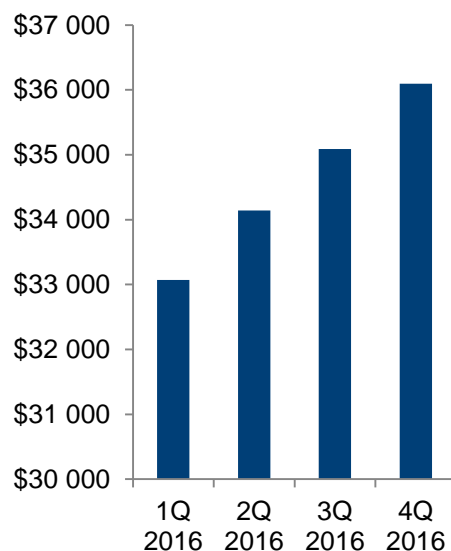
# We have delivered on 2016 financial guidance

Unaudited, USD in thousands	1Q 2016	2Q 2016	3Q 2016	4Q 2016	FY 2016	2016 Guidance	Guidance (mid-level)	Achievement
Total revenues <sup>(1)</sup>	42 026	43 063	43 587	44 995	173 671	167-170m	168 500	103 %
Adjusted EBITDA	33 071	34 141	35 092	36 094	138 398	128-132m	130 000	106 %
DCF	17 888	18 460	20 288	20 778	77 414	75-79m	77 000	101 %
Distribution	15 095	15 027	15 027	16 379	61 528	60m	60 000	103 %
Distribution coverage ratio <sup>(2)</sup>	1,19	1,23	1,35	1,27	1,26	≈1,25	1,25	101 %

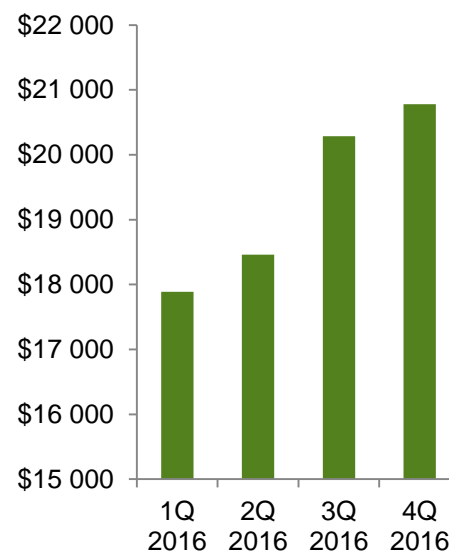
**Total revenues**



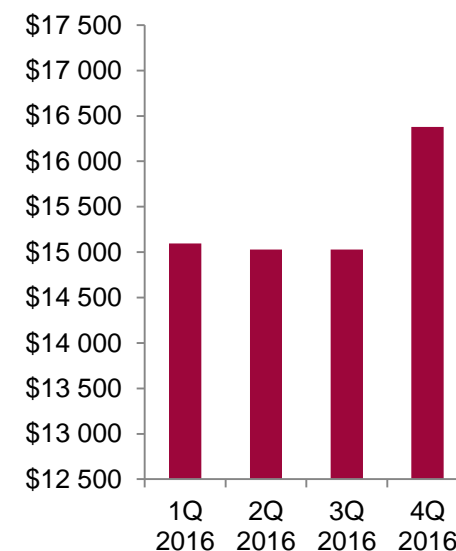
**Adjusted EBITDA<sup>(1)</sup>**



**DCF<sup>(1)</sup>**



**Distribution**



Source: KNOP

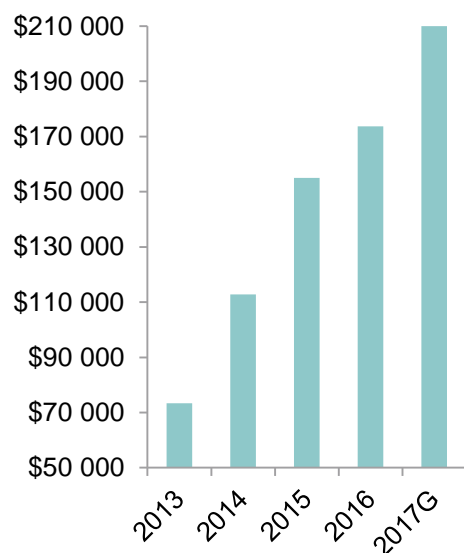
(1) EBITDA, Adjusted EBITDA and Distributable Cash Flow (DCF) are non-gaap financial measures, please see appendix for definitions and such measure and a reconciliation to net income, the most directly comparable measure.

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

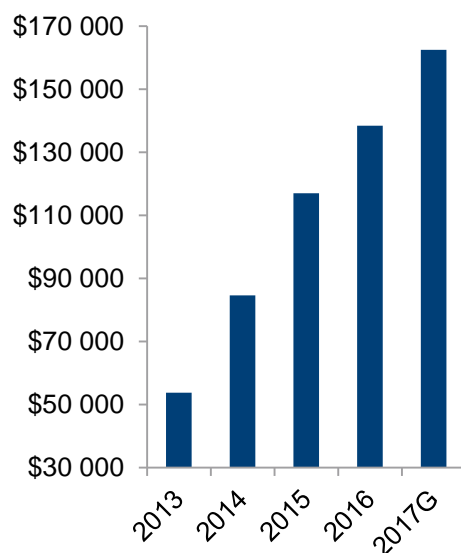
# Financial guidance for 2017

Unaudited, USD in thousands	2013	2014	2015	2016	2017 Guidance
Total revenues	\$73 401	\$112 841	\$155 024	\$173 671	≈\$210m
Adjusted EBITDA <sup>(1)</sup>	\$53 752	\$84 639	\$116 974	\$138 398	\$160m-165m
DCF <sup>(1)</sup>	\$26 262	\$46 826	\$66 906	\$77 414	\$85-90m
Distribution	\$20 770	\$40 480	\$56 921	\$61 528	\$65.6-68.0m
Distribution coverage ratio <sup>(2)</sup>	1,26	1,16	1,18	1,26	≈1,3

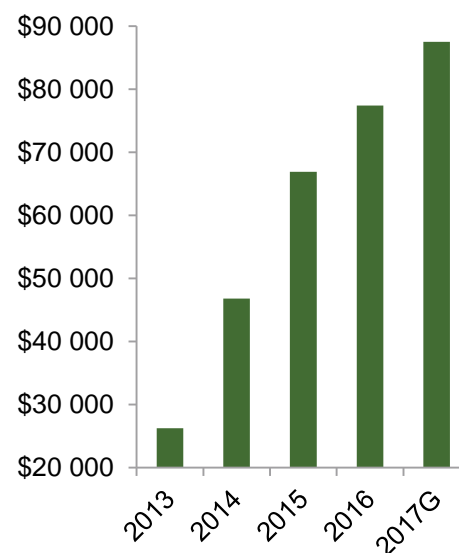
**Total revenues**



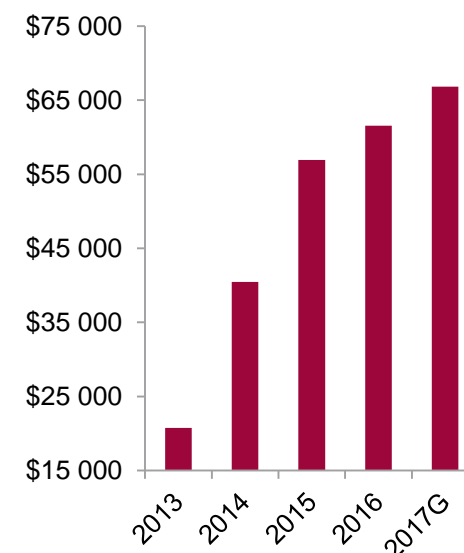
**Adjusted EBITDA**



**DCF**



**Distribution**



## Unit price recovery – but still significant yield premium

KNOP still offers an attractive yield pick-up relative to other investments and our assets also gives better inflation protection than 10 year government bonds

**KNOT**  
Offshore Partners LP

Current  
distribution yield:

**9.2%**

2016 Return  
on Equity:

**11.8%**

2016 DCF  
yield:

**15%**

**STANDARD  
& POOR'S 500**

Current  
dividend yield:

**2.1%**



10 Year US  
bond yield:

**2.4%**

  
**Alerian**

Current  
distribution yield:

**6.7%**



10 Year US  
TIPS yield:

**0.3%**

# Summary



- Strong operational and financial performance where we beat financial guidance on all five measures for 2016
- Attractive yield of 9.2% with annualized distribution of \$2.08 per unit
- Successfully raised approx. \$105m of new equity with 2.5m common units offering and a private placement of Series A Convertible Preferred units
- Growth is back with drop-down in both Q4-2016 and Q1-2017, with intention of additional drop-down in Q2-2017
- With tight market and tenders back Sponsor expects to build further drop-down inventory



## 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

	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
(USD in thousands)							
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
<b>EBITDA</b>	<b>11,837</b>	<b>15,293</b>	<b>17,403</b>	<b>15,935</b>	<b>13,114</b>	<b>26,777</b>	<b>21,161</b>
Other financial items	911	371	(615)	199	3,220	(1,100)	5,333
<b>Adjusted EBITDA</b>	<b>12,748</b>	<b>15,664</b>	<b>16,788</b>	<b>16,134</b>	<b>16,334</b>	<b>25,677</b>	<b>26,494</b>

### For the Quarter Ended

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



# 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, 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						
	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
<i>(USD in thousands)</i>							
<b>Net income</b>	3,971	6,357	7,902	6,424	2,497	12,563	5,908
<i>Add:</i>							
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	-	-	-	-	-	-
<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)
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)	-
<b>Distributable cash flow</b>	<b>7,218</b>	<b>9,288</b>	<b>9,756</b>	<b>9,160</b>	<b>8,113</b>	<b>14,709</b>	<b>15,093</b>

# 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
<b>Net income</b>	7,186	6,887	8,802	17,567	10,663	11,578	19,357	19,505
<i>Add:</i>								
Depreciation	11,400	11,560	12,420	13,464	13,892	13,913	13,920	14,505
Goodwill impairment charge	-	6,217	-	-	-	-	-	-
Other non cash items; deferred cost amortization debt	284	287	289	289	287	287	310	315
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	-	-	-	-	-	-	-	-
<i>Less:</i>								
Estimated maintenance and replacement capital expenditures(including drydocking reserve)	(6,175)	(6,264)	(6,749)	(7,516)	(461)	(7,894)	(7,894)	(8,100)
Other non cash items; Accrued income	-	-	-	-	(858)	(245)	(751)	(751)
Other non cash items; Deferred revenue	(858)	(858)	(858)	(858)	(787)	(216)	(216)	(232)
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)
<b>Distributable cash flow</b>	<b>16,434</b>	<b>16,243</b>	<b>16,147</b>	<b>18,082</b>	<b>17,888</b>	<b>18,460</b>	<b>20,288</b>	<b>20,778</b>

# Guidance for the year ending December 31, 2017

The following tables set forth our projected range of net income, EBITDA, Adjusted EBITDA, distributable cash flow and distribution coverage ratio for the year ending December 31, 2017, as well as a reconciliation of such projected EBITDA, Adjusted EBITDA and distributable cash flow to projected net income, the most directly comparable GAAP measure.

	Low Year Ending December 31, 2017 (unaudited)	High Year Ending December 31, 2017 (unaudited)
<i>(USD in thousands)</i>		
<b>Net income</b>	\$ 60,000	\$ 62,000
Interest income	0	0
Interest expense	31,000	33,000
Depreciation & Amortization	69,000	70,000
Income tax (benefit) expense		
<b>EBITDA</b>	160,000	165,000
Other financial items		
<b>Adjusted EBITDA</b>	\$ 160,000	\$ 165,000

	Low Year Ending December 31, 2017 (unaudited)	High Year Ending December 31, 2017 (unaudited)
<i>(USD in thousands)</i>		
<b>Net income</b>	\$ 60,000	\$ 62,000
Add:		
Depreciation & Amortization	69,000	70,000
Other non-cash items; deferred costs amortization debt	-	-
Unrealized losses from interest rate derivatives and foreign exchange currency contracts	-	-
Less:		
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	40,000	39,000
Other non-cash items; deferred revenue	4,000	3,000
Other non-cash items; accrued income	-	-
Unrealized gains from interest rate derivatives and foreign exchange currency contracts	-	-
<b>Distributable cash flow</b>	\$ 85,000	\$ 90,000
<b>Distributions</b>	\$ 65,600	\$ 68,000
<b>Distribution coverage ratio(1)</b>	1.30	1.32

- (1) Projected distribution coverage ratio is equal to projected distributable cash flow divided by distributions projected for the period presented.

# Guidance for the year ending December 31, 2017

The projected amounts set forth in the tables above exclude the impact of any acquisitions other than the Acquisition and are based on the following assumptions:

- closing of the Acquisition on March 1, 2017;
- no dispositions of vessels;
- no impairment expense;
- timely receipt of charter hire specified in the time charter and bareboat charter contracts;
- no unscheduled off-hire;
- no realized or unrealized gains or losses on derivative instruments;
- no additional equity issuances;
- vessel operating costs according to 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 of this press release, but if these assumptions prove to be incorrect, actual net income, EBITDA, Adjusted EBITDA, distributable cash flow and distribution coverage ratio could differ materially from our guidance. 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.