



KNOT
Offshore Partners LP

First Quarter 2022 Results

May 12, 2022
(NYSE:KNOP)



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, war, 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, 2021 and reports on Form 6K.

First Quarter 2022 and Subsequent Highlights

- Announced cash distribution in respect of the first quarter of \$0.52 per common unit for the 27th consecutive time at this level under 1099 structure, and for the 36th consecutive time since the Partnership first listed in 2013.
- Fleet operated with 99.7% utilization for scheduled operations and 92.8% utilization taking into account the scheduled drydockings of the *Tordis Knutsen*, *Anna Knutsen* and *Vigdis Knutsen*.
- We continue to make good progress in agreeing a combination of interim and longer-term employment contracts for a number of our vessels coming into the charter market:
 - The *Tordis Knutsen* commenced on her time charter to Petrobras after successfully completing her drydock.
 - Commenced a new two-year time charter contract for the *Anna Knutsen* with TotalEnergies immediately after the vessel returned to Brazil following successful completion of her drydock, with options for the charterer to extend the charter by up to three further one-year periods.
 - Agreed with Knutsen NYK to extend the time charter of the *Bodil Knutsen* for three further months, plus nine additional one-month extension options.
 - The current time charter for the *Brasil Knutsen* is expected to end in or around September 2022 however the Partnership is currently negotiating a proposed one-year time charter contract, with options to extend, with an oil major to commence in or around September 2022.
 - From the time that the *Windsor Knutsen* is expected to commence her mobilisation trip to her drydock in June, the Partnership currently expects the *Vigdis Knutsen* to step-in and fulfill most or all of the remaining existing PetroChina time charter contract, such that PetroChina would retain the use of a vessel throughout, and in such case, after her drydock, the *Windsor Knutsen* would be available for other employment.
- We are also in discussions with several other customers concerning several further charter opportunities, and we believe we have seen a noticeable upturn in market activity in Brazil in this first quarter of 2022.
- Continuing high oil prices combined with low breakeven prices and low lifting costs for offshore deep-water Brazilian oil work to incentivize our customers to invest and produce, helping to lift demand for shuttle tankers.
- At March 31, 2022 we had \$594 million of remaining contracted forward revenue excluding options, and \$96.3 million in available liquidity, which included cash and cash equivalents of \$41.3 million with no debt maturities until third quarter of 2023.

Income Statement

Unaudited, USD thousands	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021	FY 2021
Time charter and bareboat revenues	65,187	70,637	66,559	66,513	65,598	269,306
Loss of hire insurance recoveries	—	1,154	17	4,397	5,882	11,450
Other income	9	342	3	27	1	373
Total revenues	65,196	72,133	66,579	70,937	71,481	281,129
Vessel operating expenses	(20,061)	(18,501)	(17,659)	(17,394)	(18,560)	(72,114)
Depreciation	(25,937)	(25,974)	(26,070)	(23,831)	(23,684)	(99,559)
Impairment ⁽¹⁾	—	—	—	(29,421)	—	(29,421)
General and administrative expenses	(1,698)	(1,633)	(1,716)	(1,492)	(1,621)	(6,461)
Total operating expenses	(47,696)	(46,108)	(45,445)	(72,138)	(43,865)	(207,555)
Operating income (loss)	17,500	26,025	21,134	(1,201)	27,616	73,574
Interest income	2	—	2	—	—	2
Interest expense	(6,725)	(6,646)	(7,243)	(6,804)	(7,372)	(28,065)
Realized and unrealized gain / (loss) on derivative instruments	16,357	4,146	69	(2,265)	8,011	9,960
Other financial items	(142)	(277)	(326)	(394)	(111)	(1,107)
Income (loss) before income taxes	26,992	23,248	13,636	(10,664)	28,144	54,364
Income tax benefit / (expense)	(212)	(115)	(109)	(261)	(3)	(488)
Net income (loss)	26,780	23,133	13,527	(10,925)	28,141	53,876

(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>	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021	FY 2021
Net income (loss)	26,780	23,133	13,527	(10,925)	28,141	53,876
Interest income	(2)	—	(2)	—	—	(2)
Interest expense	6,725	6,646	7,243	6,804	7,372	28,065
Depreciation	25,937	25,974	26,070	23,831	23,684	99,559
Impairment ⁽¹⁾	—	—	—	29,421	—	29,421
Income tax (benefits) expense	212	115	109	261	3	488
EBITDA	59,652	55,868	46,947	49,392	59,200	211,407
Other financial items ⁽²⁾	(16,215)	(3,869)	257	2,659	(7,900)	(8,853)
Adjusted EBITDA ⁽³⁾	43,437	51,999	47,204	52,051	51,300	202,554

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.

Balance Sheet

<i>Unaudited, USD thousands</i>	At Mar 31, 2022	At Dec 31, 2021		At Mar 31, 2022	At Dec 31, 2021
Current assets:			Current liabilities:		
Cash and cash equivalents	41,287	62,293	Current portion of long-term debt	88,669	88,578
Inventories	3,862	3,306	Derivative liabilities	1,857	6,754
Amounts due from related parties	2,857	2,668	Contract liabilities	1,518	1,518
Derivative assets	689	—	Current lease liabilities	652	648
Other current assets	11,713	5,626	Other current liabilities	15,787	18,459
Total current assets	60,408	73,893	Total current liabilities	108,483	115,957
Long-term assets:			Long-term liabilities:		
Net vessels and equipment	1,579,911	1,598,106	Long-term debt	859,755	878,548
Right-of-use assets	2,581	2,742	Lease liabilities	1,929	2,093
Intangible assets, net	—	75	Derivative liabilities	25	4,260
Derivative assets	9,401	1,015	Contract liabilities	272	651
Accrued income	1,023	1,450	Deferred tax liabilities	234	228
			Deferred revenues	2,698	2,529
Total long-term assets	1,592,916	1,603,388	Total long-term liabilities	864,913	888,309
			Convertible Preferred Units	84,308	84,308
			Total partners' equity	595,620	588,707
Total assets	1,653,324	1,677,281	Total equity and liabilities	1,653,324	1,677,281

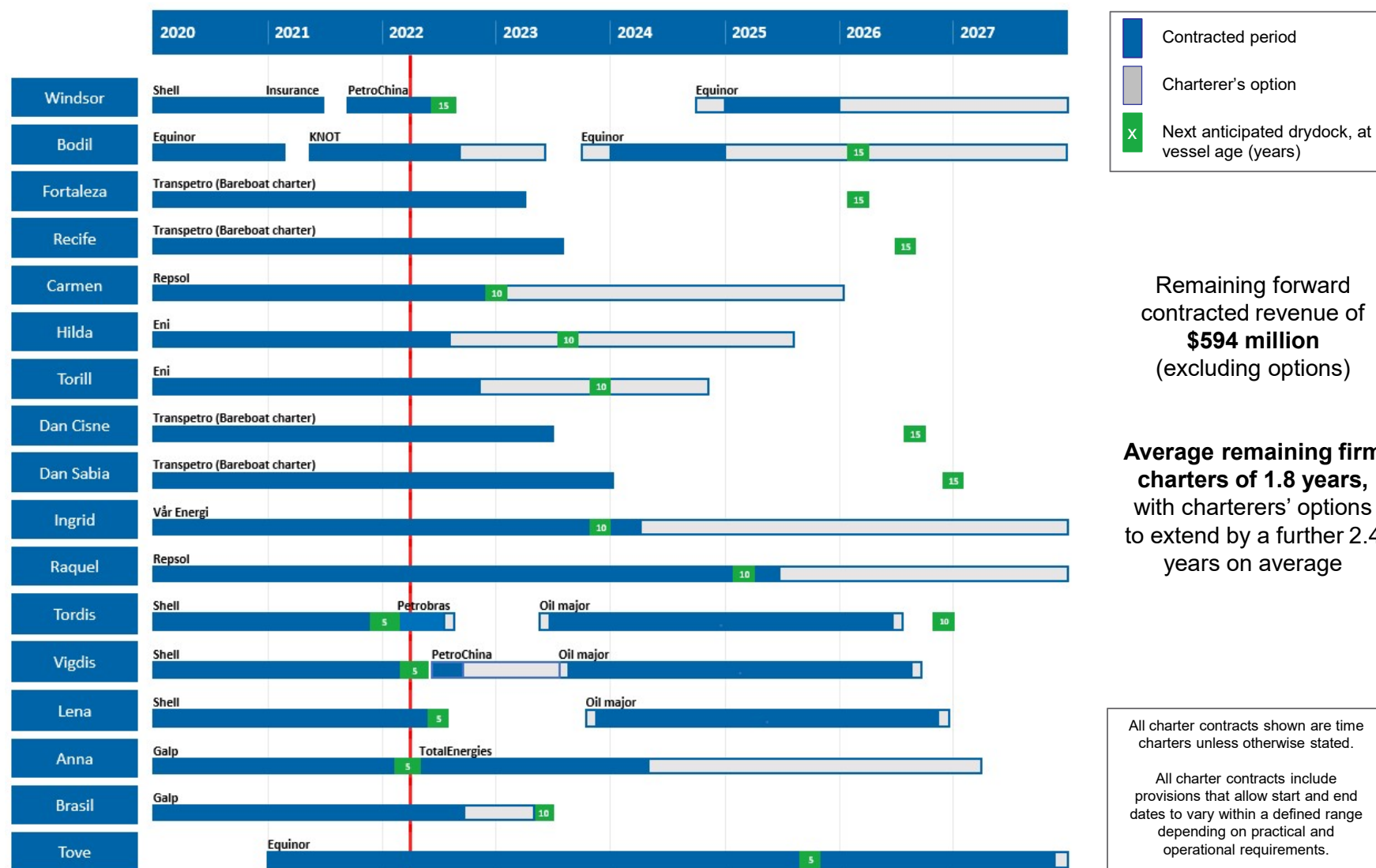
Distributable Cash Flow

<i>Unaudited, USD thousands</i>	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021	FY 2021
Net income (loss)	26,780	23,133	13,527	(10,925)	28,141	53,876
<i>Add:</i>						
Depreciation	25,937	25,974	26,070	23,831	23,684	99,559
Impairment	—	—	—	29,421	—	29,421
Other non-cash items; amortization of deferred debt issuance cost	600	624	1,137	656	1,102	3,519
Other non-cash items; accrued revenue	427	358	357	353	350	1,418
Unrealized losses from interest rate derivatives and forward exchange currency contracts	—	—	—	179	—	179
<i>Less:</i>						
Estimated maintenance and replacement capital expenditures (including drydocking reserve)	(19,057)	(18,559)	(18,559)	(17,622)	(17,622)	(72,362)
Distributions: Series A Convertible Preferred Units	(1,700)	(1,700)	(1,700)	(1,700)	(1,800)	(6,900)
Other non-cash items; deferred revenue and accrued income	(304)	(228)	(228)	(228)	(228)	(912)
Unrealized gains from interest rate derivatives and forward exchange currency contracts	(18,209)	(6,346)	(1,966)	—	(11,921)	(20,233)
Distributable Cash Flow ⁽¹⁾	14,475	23,256	18,638	23,965	21,706	87,565
Total distributions	18,168	18,168	18,168	18,150	18,034	72,520
Distribution Coverage Ratio ⁽²⁾	0.80	1.28	1.03	1.32	1.20	1.21

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.

Forward Contracted Revenue Backed by Leading Energy Companies



Dropdown Inventory at Sponsor – Potential Acquisitions

Average firm contracted charter length of 5.3 years (from charter commencement),
with charterers' options to extend by a further 7.3 years on average.



Notes:

All charter contracts shown are time charters unless otherwise stated.

All charter contracts include provisions that allow start and end dates to vary within a defined range depending on practical and operational requirements.

This charter diagram extends to December 31, 2027 only, and charterer's options to extend the charters, in all cases, extend beyond this date.

Dates for vessels yet to be delivered are estimates and depend primarily on the final delivery date of the vessel to the Sponsor.

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 acquisitions will actually occur.

Brazil's Drive to Increase Offshore Production Has Already Started

- **Oil and gas sanctioning momentum in Brazil picked up in 2021** after stalling in 2020 due to the Covid-19 pandemic.
- Several projects were approved in 2021, including pre-salt projects operated by Petrobras at Mero 4, and two more FPSOs in the Búzios field, Búzios 6 and Búzios 7. **Activity is expected to continue at pace over the next three years** with several more projects in line for sanctioning including FPSO's for Búzios 8 and Búzios 9¹.
- For approved and to-be-approved projects from 2021 to 2025, Rystad Energy projects that **Brazil will receive a total \$36.7 billion in investments by 2025**² from Petrobras and a variety of other international oil majors, the amount representing 9% of worldwide estimated capital expenditure for new sanctioning in the same period.
- In the near term, **Brazil is aiming to increase crude output by around 10% this year** to help stabilize international oil markets, as announced by the country's Minister of Mines & Energy, Bento Albuquerque on March 23, 2022³.
- Companies, such as **Shell, Equinor and TotalEnergies are growing their influence in the Brazilian offshore oil market** with announcements (like the one below from Shell) relating to new major investments, production expansion and reaffirming their strategic commitment to deep water oil production in Brazil, all of which brings more diversification and business to the shuttle tanker market.

All of this points to growing demand for shuttle tankers in Brazil, and with very limited net tonnage coming into the market before the end of 2025⁴, we believe there is a strong market ahead.

Extract from Shell press release, May 2, 2022:

Shell Brasil Petróleo Ltda. (Shell Brasil), a subsidiary of Shell plc, announces the start of production of the FPSO Guanabara in the Mero field, offshore Santos Basin in Brazil. The FPSO Guanabara, which while under construction was also known as Mero-1, has an installed capacity of 12 million cubic meters of natural gas and 180,000 barrels of oil per day and initially has six producing wells and seven injector wells connected to the field.

"Today's announcement serves as the latest reminder of the strength of our position in Deep Water in Brazil with world-class assets, a prolific basin and a robust portfolio," said Zoe Yujnovich, Shell Upstream Director. "Mero is part of our core Upstream position, which is a cornerstone of our Powering Progress strategy to deliver the stable, secure energy resources the world needs today while investing in the energy of the future."

Located 150 kilometers from the Rio de Janeiro coast and in a water depth that reaches 1,930 meters, Mero will receive three more FPSOs between 2023 and 2025.

¹ See Appendix C

² Across both oil and gas assets

³ During the International Energy Agency (IEA)'s ministerial meeting

⁴ We currently expect 7 vessels will come into the Brazilian market in 2022 and 2 more in 2023, and then possibly no further vessels before 2026. We understand that all of those new vessels are already assigned to long term charters.

Near-term Priorities

- Continue to focus on safety as our number one priority, along with the maintenance of our distribution through the best utilization of our fleet and the targeting of stable cashflows.
- Continue close dialogue with our customers to ensure we can respond flexibly to demand opportunities as they arise and work to secure employment for our vessels that remain open in 2022 and 2023, having made good progress in this first quarter towards that goal.
- Maintain high scheduled operational utilization in line with our historic track record and ensure the remaining drydocks in 2022 are successfully completed.
- We continue to weigh up our options for the acquisition of a new vessel, likely using debt and available liquidity rather than new equity. Such a transaction should be expected to further strengthen the Partnership's stability, contribute to net cashflow and, in the opinion of the board and the Partnership's independent Conflicts Committee, be in the interests of the Partnership as a whole.



Summary



- Utilization of 99.7% for scheduled operations.
- Distributable cashflow of \$14.5, with coverage of 0.80. The Partnership continues to believe that its longer-term cashflow prospects and near-term liquidity offer good support for its quarterly distribution.
- As such, paid quarterly distribution of \$0.52 for 27th consecutive quarter.
- \$594m of remaining contracted forward revenue, excluding options, at the end of the quarter and no 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.
- Multiple opportunities are being discussed with customers and the Partnership remains optimistic that it can secure further profitable charters for its vessels in the intervening periods.
- As a result, we are optimistic given the signs of increasing activity we are seeing in the market, particularly in Brazil, though we continue to expect the path to be bumpy, particularly with high numbers of drydocks in the year.
- We continue to expect mid to long-term expansion of offshore oil production in Pre-salt Brazil, and some growth in the North Sea / Barents Sea, supported most notably by the large number of FPSO orders¹ and low marginal costs of oil production² and we therefore remain very positive with respect to the mid-to-long-term outlook.

¹ See also Appendix C

² For example, the forward breakeven price of Petrobras's oil production is expected to be US\$ 20 / bbl.
Source: Petrobras Key Figures, Petrobras Day, Rio de Janeiro, November 30 , 2021.

Questions



Appendices



Appendix A – KNOP Attributes – Our Investment Case



- 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).
- We are a **market leader** in the operation of shuttle tankers and our Sponsor has more than **30 years experience** and investment in this business.
- Specialist vessels are **critical infrastructure with limited replacement risk** required to deliver oil production from projects with 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.
- Due to the specialist nature of the assets, capital cost and need for an operating track record there are **high barriers to entry**.
- 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 and strong balance sheet.
- A **diversified revenue stream** where no individual vessel accounts (or is currently expected to account) for more than 10% of EBITDA.
- Debt paydown of c. \$90m p.a., an extensive banking portfolio with **access to attractive bank finance** and several key lender relationships.

Appendix B – Non-GAAP Financial Measures

Adjusted EBITDA

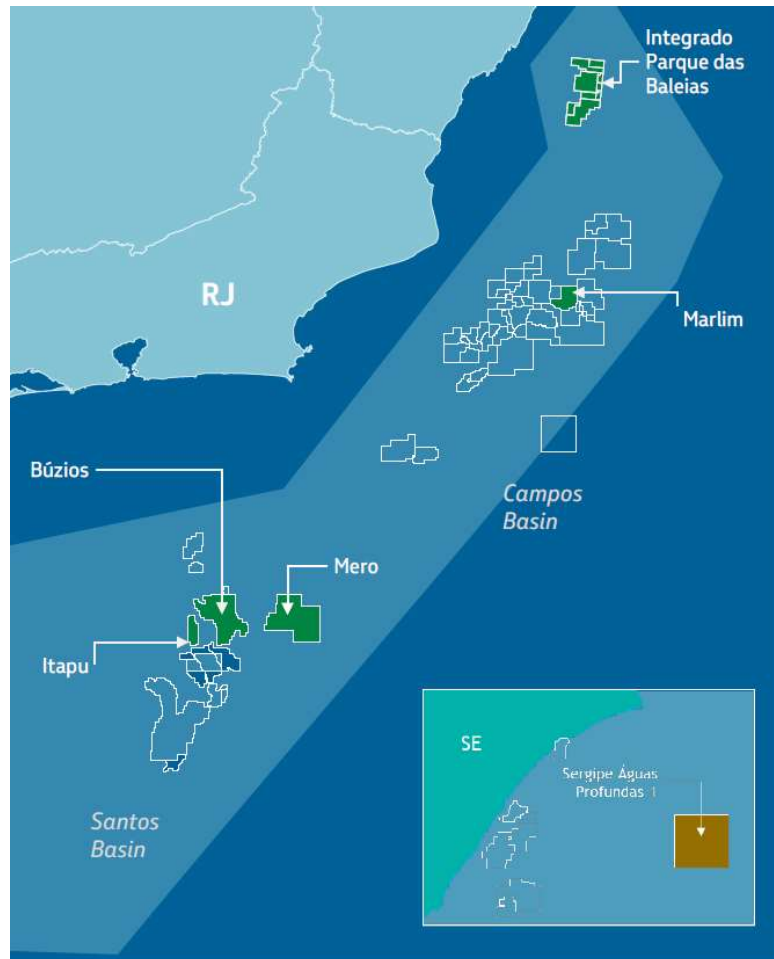
Adjusted EBITDA refers to earnings before interest, depreciation, taxes, goodwill impairment charge and other financial items. Adjusted EBITDA is a non-GAAP financial measure used by investors to measure our performance. Adjusted EBITDA is used as a supplemental financial measure by management and external 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.

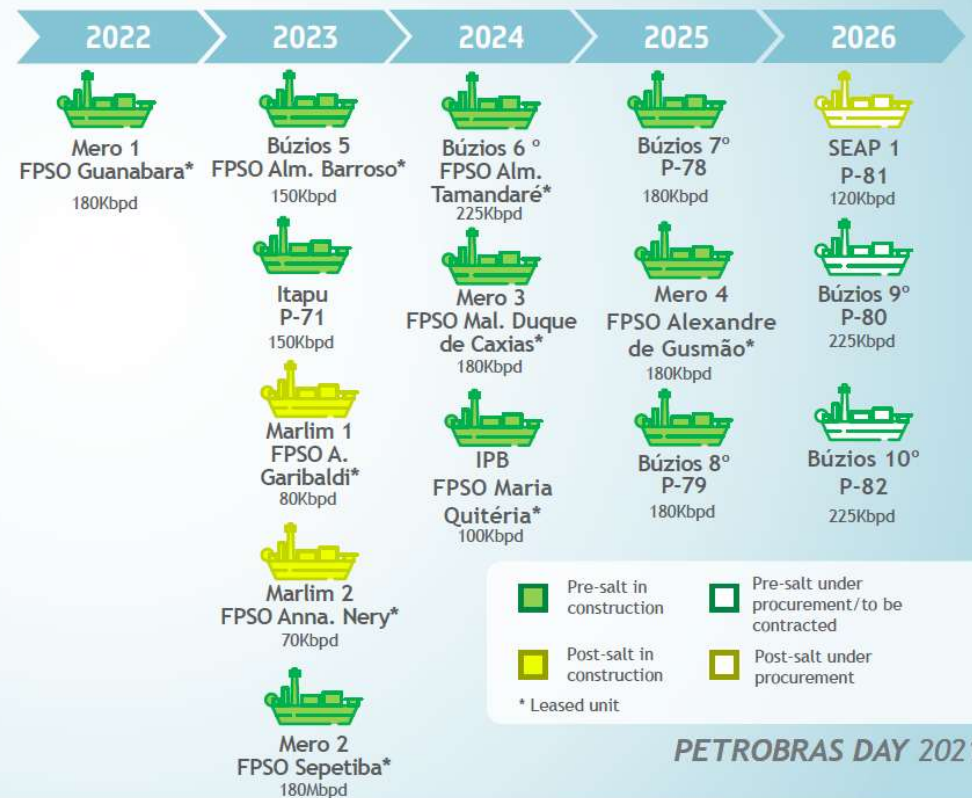
Distributable Cash Flow

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.

Appendix C – Petrobras FPSO Projects



LEADER IN FPSO PROJECTS 15 NEW FPSOs IN 6 FIELDS: 2022 - 2026



Source: November 30, 2021 – Petrobras Day presentation