

KNOT Offshore Partners LP
Form 424B5
November 06, 2017
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**Filed Pursuant to 424(b)(5)
Registration No. 333-218254**

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell the securities described herein and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 6, 2017

PROSPECTUS SUPPLEMENT

(To prospectus dated September 7, 2017)

KNOT Offshore Partners LP

3,000,000 Common Units

Representing Limited Partner Interests

We are selling 3,000,000 common units representing limited partner interests.

Our common units trade on The New York Stock Exchange (NYSE) under the symbol KNOP. On November 3, 2017, the last reported sale price of our common units on the NYSE was \$23.20 per common unit.

Investing in our common units involves risks. See Risk Factors beginning on page S-12 of this prospectus supplement and page 7 of the accompanying prospectus and the other risk factors incorporated by reference into this prospectus supplement and the accompanying prospectus.

The underwriter has agreed to purchase the common units from us at a price of \$ per unit, which will result in approximately \$ million of total net proceeds (before offering expenses) to us. The underwriter may offer the common units from time to time for sale in one or more transactions on the NYSE, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The common units will be ready for delivery on or about November , 2017 through the book-entry facilities of The Depository Trust Company.

BofA Merrill Lynch

The date of this prospectus supplement is November , 2017.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus or any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriter have authorized anyone to provide you with additional, different or inconsistent information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the Securities and Exchange Commission (the SEC) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are offering to sell the common units, and are seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of the common units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the common units and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in such registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. In addition, we file annual and other reports with, and furnish information to, the SEC. You may inspect and copy any document we file with, or furnish to, the SEC at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates or from the SEC's website at www.sec.gov free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference facilities. You can also obtain information about us at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

As a foreign private issuer, we are exempt under the Securities Exchange Act of 1934, as amended (the Exchange Act), from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal unitholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports on Form 10-Q or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

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INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be filed with the SEC and incorporated into this prospectus, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

our annual report on Form 20-F for the fiscal year ended December 31, 2016 filed on March 17, 2017 (our 2016 Annual Report);

our reports on Form 6-K filed on February 2, 2017, May 17, 2017, June 30, 2017, August 10, 2017 and November 6, 2017;

all subsequent reports on Form 6-K furnished prior to the termination of this offering that we identify in such reports as being incorporated by reference into the registration statement of which this prospectus is a part; and

the description of our common units contained in our registration statement on Form 8-A/A filed on June 30, 2017, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost by visiting our website at www.knotoffshorepartners.com. You may also make requests for such documents at no cost by writing or calling us at the following address:

KNOT Offshore Partners LP

2 Queen s Cross

Aberdeen, Aberdeenshire AB15 4YB

United Kingdom

+44 1224 618420

You should rely only on the information contained in or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with any information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information incorporated by reference or provided in this prospectus is accurate as of any date other than its respective date. The information contained in our website, or any other website, is not incorporated by reference in this prospectus and does not constitute a part of this prospectus.

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus and any free writing prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, expectations regarding our distribution levels and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, intend, forecast, believe, estimate, predict, propose, potential, continue or the negative of these terms or comparable terminology.

Forward-looking statements appear in a number of places in this prospectus and the documents we incorporate by reference and include statements with respect to, among other things:

market trends in the shuttle tanker or general tanker industries, including hire rates, factors affecting supply and demand and opportunities for the profitable operations of shuttle tankers;

the ability of KNOT Offshore Partners LP and Knutsen NYK Offshore Tankers AS (KNOT) to build shuttle tankers and the timing of the delivery and acceptance of any such vessels by their respective charterers;

forecasts of our ability to make or increase distributions on our common units and make distributions on our Series A Convertible Preferred Units (the Series A Preferred Units), or the amount of any such distributions;

our ability to integrate and realize the expected benefits from acquisitions, including our acquisition of the *Lena Knutsen*;

our anticipated growth strategies;

the effects of a worldwide or regional economic slowdown;

turmoil in the global financial markets;

fluctuations in currencies and interest rates;

fluctuations in the price of oil;

general market conditions, including fluctuations in hire rates and vessel values;

changes in our operating expenses, including drydocking and insurance costs and bunker prices;

our future financial condition or results of operations and future revenues and expenses;

the repayment of debt and settling of any interest rate swaps;

our ability to make additional borrowings and to access debt and equity markets;

planned capital expenditures and availability of capital resources to fund capital expenditures;

our ability to maintain long-term relationships with major users of shuttle tonnage;

our ability to leverage KNOT's relationships and reputation in the shipping industry;

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our ability to purchase vessels from KNOT in the future;

our continued ability to enter into long-term charters, which we define as charters of five years or more;

our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term charter;

the financial condition of our existing or future customers and their ability to fulfill their charter obligations;

timely purchases and deliveries of newbuilds;

future purchase prices of newbuilds and secondhand vessels;

any impairment of the value of our vessels;

our ability to compete successfully for future chartering and newbuild opportunities;

acceptance of a vessel by its charterer;

termination dates and extensions of charters;

the expected cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;

availability of skilled labor, vessel crews and management;

our general and administrative expenses and the fees and expenses payable under the technical management agreements, management and administration agreements and the administrative services agreement;

modifications to the Norwegian Tonnage Tax regime;

the anticipated taxation of our partnership and distributions to our unitholders;

estimated future maintenance and replacement capital expenditures;

our ability to retain key employees;

customers' increasing emphasis on environmental and safety concerns;

potential liability from any pending or future litigation;

potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists;

future sales of our securities in the public market;

our business strategy and other plans and objectives for future operations; and

other factors listed from time to time in the reports and other documents that we file with the SEC.

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Forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us. Forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in "Risk Factors" set forth in this prospectus and those risks discussed in other reports we file with the SEC and that are incorporated into this prospectus by reference, including, without limitation, our 2016 Annual Report and our report on Form 6-K for the quarter ended June 30, 2017. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible to predict all of these factors. Further, we cannot assess the impact of each such factor on our 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. We make no prediction or statement about the performance of our common units or other securities.

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SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein and does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein.

References in this prospectus to KNOT Offshore Partners, we, our, us and the Partnership or similar terms refer to KNOT Offshore Partners LP or any one or more of its subsidiaries, or to all such entities, unless the context otherwise indicates. References in this prospectus to our general partner refer to KNOT Offshore Partners GP LLC, the general partner of KNOT Offshore Partners. References in this prospectus to KNOT UK refer to KNOT Offshore Partners UK LLC, a wholly owned subsidiary of the Partnership. References in this prospectus to KNOT refer, depending on the context, to Knutsen NYK Offshore Tankers AS and to any one or more of its direct and indirect subsidiaries. References in this prospectus to TSSI refer to TS Shipping Invest AS, and references to NYK refer to Nippon Yusen Kaisha, each of which holds a 50% interest in KNOT. References in this prospectus to KNOT Management are to KNOT Management AS, a wholly owned subsidiary of KNOT. References in this prospectus to Shell, Statoil, Transpetro, Repsol, Eni and ExxonMobil refer to Royal Dutch Shell plc (formerly BG Group plc), Statoil ASA, Petrobras Transporte S.A., Repsol Sinopec Brasil, B.V., Eni Trading & Shipping S.p.A. and ExxonMobil, respectively, and certain of their subsidiaries that are our customers.

Overview

We are a limited partnership formed to own, operate and acquire shuttle tankers under long-term charters, which we define as charters of five years or more. We intend to leverage the relationships, expertise and reputation of KNOT, a leading independent owner and operator of shuttle tankers, to pursue potential growth opportunities and to attract and retain high-quality, creditworthy customers. KNOT owns our 1.85% general partner interest and all of our incentive distribution rights and 29.2% of our common units. KNOT intends to utilize us as its primary growth vehicle to pursue the acquisition of long-term, stable cash-flow-generating shuttle tankers.

We have a modern fleet of shuttle tankers that operates under long-term charters with major oil and gas companies engaged in offshore production, such as Shell, Statoil, Transpetro, Repsol, ExxonMobil and Eni. We operate our vessels under long-term charters with stable cash flows and intend to grow our position in the shuttle tanker market through acquisitions from KNOT and third parties. We also believe we can grow organically by continuing to provide reliable customer service to our charterers and leveraging KNOT's relationships, expertise and reputation.

A shuttle tanker is a specialized vessel designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries. Shuttle tankers are equipped with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably from oil field installations, even in harsh weather conditions. Shuttle tankers were developed in the North Sea in 1977 as an alternative to pipelines.

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The following table provides information about the fourteen shuttle tankers in our current fleet:

Shuttle Tanker	Capacity (dwt)	Current		Charter		
		Built	Operating	Region	Type	Charterer
<i>Fortaleza Knutsen</i>	106,316	2011	Brazil	Bareboat charter	Transpetro	2023
<i>Recife Knutsen</i>	105,928	2011	Brazil	Bareboat charter	Transpetro	2023
<i>Bodil Knutsen</i>	157,644	2011	North Sea	Time Charter	Statoil	2019(1)(2)
<i>Windsor Knutsen</i>	162,362	2007	Brazil	Time Charter	Shell	2018(1)(3)
<i>Carmen Knutsen</i>	157,000	2013	Brazil	Time Charter	Repsol	2023(4)
<i>Hilda Knutsen</i>	123,000	2013	North Sea	Time Charter	Eni	2018(2)
<i>Torill Knutsen</i>	123,000	2013	North Sea	Time Charter	Eni	2018(2)
<i>Dan Cisne</i>	59,000	2011	Brazil	Bareboat charter	Transpetro	2023
<i>Dan Sabia</i>	59,000	2012	Brazil	Bareboat charter	Transpetro	2024
<i>Ingrid Knutsen</i>	112,000	2013	North Sea	Time Charter	ExxonMobil	2024(2)
<i>Raquel Knutsen</i>	152,000	2015	Brazil	Time Charter	Repsol	2025(5)
<i>Tordis Knutsen</i>	156,000	2016	Brazil	Time Charter	Shell	2022(6)
<i>Vigdis Knutsen</i>	156,000	2017	Brazil	Time Charter	Shell	2022(6)
<i>Lena Knutsen</i>	156,000	2017	Brazil	Time Charter	Shell	2022(6)

- (1) Pursuant to the omnibus agreement (the omnibus agreement) we entered into with KNOT in connection with our initial public offering (IPO), KNOT agreed in certain circumstances to guarantee the payments of the hire rate under the existing charters for a period of five years from the closing date of the IPO (until April 2018).
- (2) Customer has the option to extend the charter for up to five one-year periods.
- (3) On July 14, 2017, Shell exercised its option to extend the time charter of the *Windsor Knutsen* by one additional year until October 2018. Following the exercise of the option, Shell has five remaining one-year options to extend the time charter.
- (4) Customer has the option to extend the charter for up to three one-year periods.
- (5) Customer has the option to extend the charter for up to one three-year period and one two-year period.
- (6) Customer has the option to extend the charter for up to two five-year periods.

Recent Developments

Acquisition of *Lena Knutsen*

On September 29, 2017, we acquired from KNOT all of the ownership interests in KNOT Shuttle Tankers 26 AS (KNOT 26), the company that owns the shuttle tanker, *Lena Knutsen* (the Lena Acquisition). The purchase price of the Lena Acquisition was \$142.0 million, less approximately \$133.8 million of outstanding indebtedness related to the *Lena Knutsen* plus approximately \$24.1 million for a receivable owed by KNOT to KNOT 26 (the KNOT 26 Receivable) and approximately \$1.0 million for certain capitalized fees related to the financing of the *Lena Knutsen*. On the closing of the Lena Acquisition, KNOT 26 repaid approximately \$41.9 million of the indebtedness, leaving an aggregate of approximately \$91.9 million of debt outstanding under the secured credit facility related to the *Lena Knutsen* (the Lena Facility). The purchase price was settled in cash and is subject to certain post-closing adjustments for working capital and interest rate swaps. On the closing of the Lena Acquisition, KNOT repaid the KNOT 26 Receivable in full.

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KNOT 26 is the borrower under the Lena Facility, a senior secured loan facility secured by a vessel mortgage on the *Lena Knutsen*. The Lena Facility is guaranteed by the Partnership. The Lena Facility is repayable in quarterly installments with a final balloon payment of \$69.8 million due at maturity in June 2022. The Lena Facility bears interest at an annual rate equal to LIBOR plus a margin of 1.9%. The Lena Facility contains the following covenants, among others: (1) the aggregate market value of the *Lena Knutsen*, the *Vigdis Knutsen* and the *Tordis Knutsen* shall not be less than 130% of the aggregate outstanding balance under the Lena Facility, the secured credit facility related to the *Vigdis Knutsen* (the *Vigdis Facility*) and the secured credit facility related to the *Tordis Knutsen* (the *Tordis Facility*); (2) the Partnership must maintain minimum liquidity of \$20.0 million plus increments of \$1.0 million for each additional vessel acquired and \$1.5 million for each owned vessel with a tenor of less than 12 months remaining on its charter; and (3) the Partnership must maintain a minimum ratio of book equity to total assets of 30%. Like certain of our other facilities, the Lena Facility also identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including if KNOT owns less than 25% of the units in the Partnership, a total loss or sale of a vessel, and customary events of default. The obligations under the Lena Facility contain cross default provisions and are cross-collateralized with the obligations under the *Vigdis Facility* and the *Tordis Facility*.

The *Lena Knutsen* was delivered in June 2017 and began operations in Brazil under a five-year time charter with a subsidiary of Shell in early September 2017. The charterer has options to extend the charter for two five-year periods.

Our board of directors and the conflicts committee of our board of directors approved the Lena Acquisition. The conflicts committee retained an outside financial advisor to assist with its evaluation of the Lena Acquisition and the purchase price offered by KNOT. In determining that the Lena Acquisition was fair and reasonable to us, the conflicts committee obtained the views of its financial advisor as to the fairness of the purchase price.

Cash Distributions

On October 13, 2017, we declared a cash distribution of \$0.52 per common unit with respect to the quarter ended September 30, 2017 to be paid on November 15, 2017 to unitholders of record as of the close of business on November 2, 2017. On October 13, 2017, we also declared a cash distribution payable to the holders of our outstanding Series A Preferred Units with respect to the quarter ended September 30, 2017 in an aggregate amount equal to \$1.8 million.

Recent Financial Results

On November 3, 2017, we announced our financial results for the quarter ended September 30, 2017. For the quarter ended September 30, 2017, we generated total revenues of approximately \$58.2 million, operating income of approximately \$26.7 million and net income of approximately \$21.1 million, compared to total revenues of approximately \$43.6 million, operating income of approximately \$21.2 million and net income of approximately \$19.4 million for the quarter ended September 30, 2016. The increase in our revenues, operating income and net income in the third quarter of 2017 compared to the third quarter of 2016 is primarily due to the *Raquel Knutsen*, the *Tordis Knutsen* and the *Vigdis Knutsen* being included in our results of operations from December 1, 2016, March 31, 2017 and June 1, 2017, respectively. Total finance expense for the quarter ended September 30, 2017 was approximately \$5.6 million and included approximately \$2.8 million in realized and unrealized gains on derivative instruments.

As of September 30, 2017, our cash and cash equivalents were approximately \$38.1 million. Our total interest bearing debt outstanding at September 30, 2017 was approximately \$1,009.2 million.

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Our independent registered public accounting firm has not performed a review of our financial information for the three months ended September 30, 2017. As a result, the preliminary results for the three months ended September 30, 2017 set forth above may be subject to change.

Our Relationship with Knutsen NYK Offshore Tankers AS

We believe that one of our principal strengths is our relationship with KNOT. We believe our relationship with KNOT gives us access to KNOT's relationships with major international oil and gas companies, shipbuilders, financing sources and suppliers and its technical, commercial and managerial expertise, which we believe allows us to compete more effectively when seeking additional customers. KNOT, through its wholly owned subsidiaries, KNOT Management and KNOT Management Denmark AS, owns the ship management services relating to the shuttle tankers in our fleet, which allows for a fully integrated shipping operation, providing newbuild supervision, project development, crewing, technical management and various other maritime services.

KNOT currently owns our general partner, all of our incentive distribution rights and 29.2% of our common units. Following the consummation of this offering, KNOT and its affiliates will own 25.02% in the aggregate of our common units, general partner units and Series A Preferred Units. KNOT, whose predecessor was formed in 1987, is jointly owned by TSSI and NYK.

Competitive Strengths

We believe that our future prospects for success are enhanced by the following aspects of our business:

Relationship with leading shuttle tanker operator. We believe we will benefit from our relationship with KNOT in the future. We believe charterers award new business to established participants in the shuttle tanker market because of their technical, commercial and managerial expertise. We believe that KNOT's 25-year history of providing offshore loading and transportation services to major integrated oil companies will enable it to attract additional long-term charters for shuttle tankers that are required to be offered to us pursuant to the omnibus agreement in the event their terms equal or exceed five years.

Built-in growth opportunities. We will have the opportunity to purchase additional shuttle tankers in KNOT's fleet pursuant to the omnibus agreement if they are placed under charters of five years or more. We believe these and any future acquisition opportunities will provide us with a way to grow our distributions per unit.

Enhanced growth opportunities through our relationship with KNOT. We believe our relationship with KNOT provides us with many benefits that we believe will drive growth in distributions per common unit, including opportunities to acquire other vessels, strong customer relationships, leading operational expertise, enhanced shipyard relationships, access to KNOT's relationships with leading financing providers and a large pool of experienced and qualified global seafarers.

Sustainable cash flow supported by charters with leading energy companies. Our services are integrated with the offshore oil fields we serve and are a critical part of our customers' logistics solutions. Each

shuttle tanker in our current fleet operates under a long-term, fixed-rate charter with a leading oil and gas company, such as Shell, Statoil, Transpetro, ExxonMobil, Eni and Repsol, with an average remaining fixed contract duration of 4.4 years as of September 30, 2017. In addition, the hire rate payable under our charters is either a fixed amount for the firm period of the charter or increases annually based on a fixed percentage increase or fixed schedule, in order to enable us to offset expected increases in operating costs.

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Modern fleet equipped with the latest technology. Our current fleet is one of the youngest shuttle tanker fleets in operation worldwide, with an average age of 4.5 years as of September 30, 2017, compared to an average age of approximately 11.8 years for the other vessels in the global shuttle tanker fleet. Our current fleet is equipped with the latest advanced shuttle tanker technology, including advanced dynamic positioning technology (DP2), and are able to operate in harsh weather environments. We believe the significant investment needed to build shuttle tankers with the highly customized specifications required by our customers and train personnel to create operational efficiencies creates a significant barrier to entry for new competitors.

Financial flexibility to support our growth. We expect that our status as a publicly traded company will allow us to have access to the debt and equity markets, will benefit our cost of capital and make us more competitive as we pursue growth opportunities.

Business Strategies

Our primary business objective is to increase quarterly distributions per unit over time by executing the following strategies:

Pursue strategic and accretive acquisitions of shuttle tankers on long-term, fixed-rate charters. We seek to leverage our relationship with KNOT to make strategic and accretive acquisitions. Under the omnibus agreement, we will have the opportunity to purchase from KNOT any newbuild under a long-term charter or existing shuttle tanker in the KNOT fleet that enters into a long-term charter.

Expand global operations in high-growth regions. We seek to expand in proven areas of offshore production, such as the North Sea and Brazil, and in new production areas as they are developed. We believe that KNOT's leading market position, operational expertise and strong customer relationships will enable us to have early access to new production projects worldwide.

Manage our fleet and deepen our customer relationships to provide a stable base of cash flows. We intend to maintain and grow our cash flows by focusing on strong customer relationships and actively seeking the extension and renewal of existing charters in addition to new opportunities to serve our customers. KNOT charters its current fleet to a number of the world's leading energy companies. We believe the close relationships that KNOT has with these companies will provide attractive opportunities for us. We continue to incorporate safety, health, security and environmental stewardship into all aspects of vessel design and operation in order to satisfy our customers and comply with national and international rules and regulations.

Principal Executive Offices

Our registered and principal executive offices are located at 2 Queen's Cross, Aberdeen, Aberdeenshire AB15 4YB, United Kingdom, and our phone number is +44 1224 618420. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website at www.knotoffshorepartners.com, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Please read "Where You Can Find More Information" for an explanation of our reporting requirements as a foreign private issuer.

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The Offering

Issuer	KNOT Offshore Partners LP
Common units offered by us	3,000,000 common units.
Common units outstanding after this offering	32,694,094 common units.
Use of proceeds	We intend to use the net proceeds from this offering and the related capital contribution to us by our general partner for general partnership purposes, which may include, among other things, acquisitions, capital expenditures, repaying indebtedness and funding working capital. Please read Use of Proceeds.
Exchange listing	Our common units are listed on the NYSE under the symbol KNOP.
U.S. federal income tax considerations	We have elected to be taxed as a corporation for U.S. federal income tax purposes. If you are an individual citizen or resident of the United States or a U.S. estate or trust and meet certain holding period and other requirements, any distributions you receive from us that constitute dividends would be expected to be treated as qualified dividend income that is taxable at preferential capital gain tax rates. In addition, there are other tax matters you should consider before investing, including our tax status as a non-U.S. issuer. Please read Material U.S. Federal Income Tax Considerations, Non-United States Tax Considerations and Risk Factors.

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RISK FACTORS

Before investing in our common units, you should carefully consider all of the information included in or incorporated by reference into this prospectus. Although many of our business risks are comparable to those of a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation. When evaluating an investment in our common units, you should carefully consider the discussion of risk factors set forth below as well as the risk factors beginning on page 5 in our 2016 Annual Report and on page 44 of our report on Form 6-K for the quarter ended June 30, 2017, each of which is incorporated by reference into this prospectus. If any of these risks were to occur, our business, financial condition or operating results could be materially adversely affected. In that case, our ability to pay distributions on our common units may be reduced, the trading price of our common units could decline and you could lose all or part of your investment.

We may be unable to realize expected benefits from the Lena Acquisition.

Similar to the acquisition of any vessel, the Lena Acquisition may not result in anticipated profitability or generate cash flow sufficient to justify our investment. In addition, the Lena Acquisition exposes us to risks that may harm our business, financial condition and operating results. In particular, the Lena Acquisition include risks that we may:

fail to realize anticipated benefits, such as increased cash flows;

fail to obtain the benefits of the related charter if Shell terminates such charter or fails to make hire payments because of its financial inability, disagreements with us or otherwise;

decrease our borrowing capacity to finance further acquisitions;

incur or assume unanticipated liabilities, losses or costs; or

incur other significant charges, such as asset devaluation or restructuring charges.

U.S. tax authorities could treat us as a passive foreign investment company, which would have adverse U.S. federal income tax consequences to U.S. unitholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a passive foreign investment company (a PFIC) for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of passive income or at least 50.0% of the average value of its assets produce, or are held for the production of, passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. unitholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC.

Based on our current and projected method of operation, and an opinion of our U.S. counsel, Vinson & Elkins L.L.P., we believe that we were not a PFIC for any of our previous taxable years, and we expect that we will not be treated as a PFIC for the current or any future taxable year. We have received an opinion of our U.S. counsel in support of this position that concludes that the income our subsidiaries earn from certain of our present time-chartering activities should not constitute passive income for purposes of determining whether we are a PFIC. In addition, we have represented to our U.S. counsel that we expect that more than 25.0% of our gross income for each of our previous taxable years arose and for the current and each future year will arise from such

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or similar time-chartering activities or other income which our U.S. counsel has opined does not constitute passive income, and more than 50.0% of the average value of our assets for each such year was or will be held for the production of non-passive income. Assuming the composition of our income and assets is consistent with these expectations, and assuming the accuracy of other representations we have made to our U.S. counsel for purposes of its opinion, our U.S. counsel is of the opinion that we should not be a PFIC for any of our previous taxable years, the current year or any future year. This opinion is based and its accuracy is conditioned on representations, valuations and projections provided by us regarding our assets, income and charters to our U.S. counsel. While we believe these representations, valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties involved in determining whether the income derived from time-chartering activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), the United States Court of Appeals for the Fifth Circuit (the Fifth Circuit) held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Internal Revenue Code of 1986, as amended (the Code), relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the Internal Revenue Service (the IRS) stated that it disagreed with the holding in *Tidewater* and specified that time charters similar to those at issue in the case should be treated as service contracts. We have not sought, and we do not expect to seek, an IRS ruling on the treatment of income generated from our time-chartering activities. As a result, the IRS or a court could disagree with our position. No assurance can be given that this result will not occur. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future, or that we will not be a PFIC in the future. If the IRS were to find that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for any subsequent taxable year), our U.S. unitholders would face adverse U.S. federal income tax consequences. Please read [Material U.S. Federal Income Tax Considerations](#) [U.S. Federal Income Taxation of U.S. Holders](#) [PFIC Status and Significant Tax Consequences](#) for a more detailed discussion of the U.S. federal income tax consequences to U.S. unitholders if we are treated as a PFIC.

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USE OF PROCEEDS

We expect to receive net proceeds of approximately \$ million from the sale of common units we are offering, after deducting estimated offering expenses payable by us. We will also receive approximately \$ million of proceeds from the capital contribution to us by our general partner to maintain its 1.85% general partner interest in us.

We intend to use the net proceeds from this offering and the related capital contribution to us by our general partner for general partnership purposes, which may include, among other things, acquisitions, capital expenditures, repaying indebtedness and funding working capital.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2017 on an historical basis and on an as adjusted basis to give effect to this offering, and the capital contribution to us by our general partner to maintain its 1.85% general partner interest in us, and the application of the estimated net proceeds therefrom as set forth in Use of Proceeds.

This table is derived from and should be read together with the historical financial statements and the accompanying notes incorporated by reference into this prospectus and the section Operating and Financial Review and Prospects in our 2016 Annual Report and the section Management's Discussion and Analysis of Financial Condition and Results of Operations in our report on Form 6-K for the quarter ended June 30, 2017, each of which is incorporated by reference herein.

**As of June 30,
2017
Historical**