



## DYNAGAS LNG PARTNERS LP REPORTS RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

MONACO – July 28, 2016 - Dynagas LNG Partners LP (NYSE: “DLNG”) (“Dynagas Partners” or the “Partnership”), an owner and operator of liquefied natural gas (“LNG”) carriers, today announced its results (unaudited) for the three and six months ended June 30, 2016.

### Three and Six Months Ended June 30, 2016 Highlights:

- ☞ Distributable Cash Flow <sup>(1)</sup> during the three and six months ended June 30, 2016 of \$22.6 million and \$45.3 million, respectively, up by 30% and 28%, respectively, compared to the same periods of 2015;
- ☞ Adjusted EBITDA <sup>(1)</sup> for the three and six months ended June 30, 2016 of \$35.0 million and \$70.2 million, respectively;
- ☞ Adjusted Net Income <sup>(1)</sup> for the three and six months ended June 30, 2016 of \$18.8 million and \$37.7 million, respectively;
- ☞ Adjusted Earnings per common unit <sup>(1) (2)</sup> for the three and six months ended June 30, 2016 of \$0.48 and \$0.96, respectively;
- ☞ \$82.2 million of reported cash and \$112.2 million of available liquidity as of June 30, 2016;
- ☞ Quarterly cash distribution of \$0.4225 per common unit and \$0.5625 per preferred unit.

<sup>(1)</sup> Distributable Cash Flow, Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per common unit are not recognized measures under U.S. GAAP. Please refer to the definitions and reconciliation of these measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP in Appendix B.

<sup>(2)</sup> Adjusted Earnings per common unit presentation eliminates the effect of the Series A Preferred Units interest on the Partnership’s net income for the periods presented.

### Recent Developments:

**Quarterly Common and Subordinated Unit Cash Distribution:** On July 6, 2016, the Partnership’s Board of Directors announced a quarterly cash distribution of \$0.4225 per common and subordinated unit in respect of the second quarter of 2016. This cash distribution was paid on July 19, 2016, to all unitholders of record as of July 12, 2016.

**Series A Preferred Units Cash Distribution:** On July 25, 2016, the Partnership’s Board of Directors also announced a cash distribution of \$0.5625 per unit of its Series A Preferred Units (NYSE: DLNG PR A) for the period from May 12, 2016 to August 11, 2016, payable on or about August 12, 2016 to all unitholders of record as of August 5, 2016.



# DYNAGAS LNG Partners LP

## Chief Executive Officer Commentary:

Tony Lauritzen, Chief Executive Officer of the Partnership, commented:

“We are pleased to report our earnings for the second quarter of 2016.

“The three month period ended June 30, 2016 has been another strong financial quarter for us. Compared to the corresponding quarter ended June 30, 2015, Adjusted EBITDA increased approximately by 27% this past quarter, mainly due to the acquisition of the *Lena River* in late December 2015. During this past quarter, our current fleet of six LNG Carriers performed at 100% utilization, which also contributed positively to our results. Our Adjusted Earnings per common unit amounted to \$0.48 per common unit for this period.

“Our income is derived from the employment of our vessels on fixed charter contracts. The revenues we earn under those charter contracts are not linked to commodity price fluctuations. On July 19, 2016, we paid a quarterly cash distribution of \$0.4225 per common and subordinated unit with respect to the second quarter of 2016. Since our Initial Public Offering in November 2013, we have paid total cash distributions amounting to \$4.25 per common and subordinated unit. On August 12, 2016, we expect to pay a cash distribution of \$0.5625 per unit on our Series A Cumulative Redeemable Perpetual Preferred Units (the “Series A Preferred Units”) for the period from May 12, 2016 to August 11, 2016 to all holders of the Series A Preferred Units as of August 5, 2016.

“With our fleet fully contracted through 2016 and 88% contracted through 2017, and a fleet wide average remaining contract duration of 10.1 years, we intend to continue to focus on obtaining further contract coverage and managing operating expenses. I look forward to working with our team towards meeting our goals, which we believe will continue to benefit our unitholders.”

## Financial Results Overview:

	Three Months Ended		Six Months Ended	
	June 30, 2016 (unaudited)	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	June 30, 2015 (unaudited)
<i>(U.S. dollars in thousands, except per unit data)</i>				
Voyage Revenues	\$ 42,638	\$ 35,551	\$ 85,379	\$ 71,171
Net Income	\$ 16,966	\$ 14,303	\$ 34,101	\$ 29,181
Adjusted Net Income <sup>(1)</sup>	\$ 18,758	\$ 14,605	\$ 37,686	\$ 29,818
Operating Income	\$ 25,723	\$ 21,304	\$ 51,727	\$ 43,014
Adjusted EBITDA <sup>(1)</sup>	\$ 35,024	\$ 27,569	\$ 70,202	\$ 55,635
Earnings per common unit	\$ 0.43	\$ 0.40	\$ 0.86	\$ 0.82
Adjusted Earnings per common unit <sup>(1)</sup>	\$ 0.48	\$ 0.41	\$ 0.96	\$ 0.84
Distributable Cash Flow <sup>(1)</sup>	\$ 22,585	\$ 17,433	\$ 45,321	\$ 35,409

(1) Adjusted Net Income, Adjusted EBITDA, Adjusted Earnings per common unit and Distributable Cash Flow are not recognized measures under U.S. GAAP. Please refer to the definitions and reconciliation of these measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP in Appendix B.

### **Three Months Ended June 30, 2016 and 2015 Financial Results**

Adjusted Net Income for the three months ended June 30, 2016 was \$18.8 million, compared to Adjusted Net Income of \$14.6 million in the corresponding period of 2015, which represents a 28.4% increase, mainly attributable to the contribution of net revenues relating to the *Lena River* to operating results. The *Lena River* was acquired from Dynagas Holding Ltd., the Partnership's Sponsor, late in December 2015.

Adjusted EBITDA for the three months ended June 30, 2016 increased by 27.0% across the quarters (second quarter 2016 Adjusted EBITDA of \$35.0 million, compared to second quarter 2015 Adjusted EBITDA of \$27.6 million), which is due to the factor discussed above.

The Partnership's Distributable Cash Flow for the three-month period ended June 30, 2016 was \$22.6 million, compared to \$17.4 million in the corresponding period of 2015, which represents an increase of \$5.2 million, or 29.6%.

For the three-month period ended June 30, 2016, the Partnership reported Adjusted Earnings per common basic and diluted unit of \$0.48, after taking into account the Series A Preferred Units interest on the Partnership's net profit. Adjusted Earnings per common is calculated on the basis of a weighted number of 20,505,000 basic and diluted common units outstanding during the period, after reflecting the impact of the non-cash items presented in Appendix B.

Please refer to the definitions and reconciliation of these measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP in Appendix B.

Voyage revenues increased to \$42.6 million for the three-month period ended June 30, 2016, from \$35.6 million for the same period of 2015, due to the increase in Revenue earning days from 455 days during the second quarter of 2015 to 546 days during the second quarter of 2016, which is a result of the growth of the Partnership's fleet, discussed above.

Vessel operating expenses increased by \$0.7 million to \$6.7 million in the three-month period ended June 30, 2016, from \$6.0 million for the same period of 2015. This increase is exclusively attributable to the ownership of the *Lena River*.

The Partnership reported average daily hire gross of commissions on a cash basis <sup>(1)</sup> of approximately \$81,300 per day per vessel in the three months ended June 30, 2016, compared to approximately \$78,800 per day per vessel in the same period of 2015. During the three-month period ended June 30, 2016, the Partnership's vessels operated at 100% utilization.

<sup>(1)</sup> Average daily hire gross of commissions on a cash basis represents voyage revenue on a cash basis, without taking into consideration the non-cash time charter amortization expense, divided by the Available Days in the Partnership's fleet as described in Appendix B.

Amounts relating to variations in period-on-period comparisons shown in this section are derived from the condensed financials presented below.

### **Liquidity/ Financing/ Cash Flow Coverage**

As of June 30, 2016, the Partnership reported cash of \$82.2 million (including the aggregate \$25.0 million minimum cash liquidity requirements imposed by the Partnership's lenders). Total indebtedness outstanding as of June 30, 2016 stood at \$738.8 million, \$32.5 million of which is repayable within one year.

The Partnership's liquidity profile is further enhanced by the \$30.0 million of borrowing capacity under the Partnership's revolving credit facility with its Sponsor, which is available to the Partnership at any time until November 2018 and remains available in its entirety as of the date of this report.

As of June 30, 2016, the Partnership reported working capital surplus of \$4.2 million.

During the three months ended June 30, 2016, the Partnership generated net cash from operating activities of \$29.7 million, compared to \$14.3 million in the same period of 2015. This increase was mainly attributable to the increase in pre-collected income between the two periods and the excess operating cash flows that the *Lena River* contributed to the Partnership for the quarter ended June 30, 2016.

### **Vessel Employment**

As of July 27, 2016, the Partnership had contracted employment for 100% of its total fleet Calendar Days through the end of 2016, 88% of its fleet Calendar Days for 2017 and 64% of its fleet Calendar Days for 2018. Time charter coverage with regards to total fleet Calendar Days is calculated on the basis of the earliest estimated redelivery dates provided in the Partnership's current time charter contracts.

As previously announced, the Partnership recently concluded long-term fixtures for three vessels in the Partnership's fleet in the first quarter of 2016, which raises the Partnership's estimate for its contracted revenue backlog <sup>(2)</sup> to approximately \$1.6 billion, with average remaining contract duration of 10.1 years.

<sup>(2)</sup> The Partnership calculates its contracted revenue backlog by multiplying the contractual daily hire rate by the minimum expected number of days committed under the contracts (excluding options to extend), assuming full utilization. The actual amount of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the table below due to, for example, shipyard and maintenance projects, downtime and other factors that result in lower revenues than the Partnership's average contract backlog per day. Certain time charter contracts that the Partnership recently entered into with Yamal Trade Pte. are subject to the satisfaction of important conditions, which, if not satisfied, or waived by the charterer, may result in their cancellation or amendment before or after the charter term commences and in such case the Partnership may not receive the contracted revenues thereunder.

### **Conference Call and Webcast: July 29, 2016**

As announced, the Partnership's management team will host a conference call on Friday, July 29, 2016 at 10:00 a.m. Eastern Time to discuss the Partnership's financial results.



### **Conference Call details:**

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1 (866) 819-7111 (from the US), 0(800) 953-0329 (from the UK) or (+44) (0) 1452 542 301 (Standard International Dial In). Please quote "Dynagas."

A telephonic replay of the conference call will be available until Friday, August 5, 2016. The United States replay number is 1 (866) 247-4222; from the UK 0(800) 953-1533; the standard international replay number is (+44) (0) 1452 550 000 and the access code required for the replay is: 59711562#.

### **Audio Webcast - Slides Presentation:**

There will be a live and then archived audio webcast of the conference call, via the internet through the Dynagas LNG Partners website [www.dynagaspartners.com](http://www.dynagaspartners.com). Participants to the live webcast should register on the website approximately 10 minutes prior to the start of the webcast.

The slide presentation on the second quarter ended June 30, 2016 financial results will be available in PDF format 10 minutes prior to the conference call and webcast, accessible on the company's website [www.dynagaspartners.com](http://www.dynagaspartners.com) on the webcast page. Participants to the webcast can download the PDF presentation.

### **About Dynagas LNG Partners LP**

Dynagas LNG Partners LP (NYSE: DLNG) is a growth-oriented partnership formed by Dynagas Holding Ltd., its sponsor, to own and operate liquefied natural gas ("LNG") carriers employed on multi-year charters. The Partnership's current fleet consists of six LNG carriers, with an aggregate carrying capacity of approximately 913,980 cubic meters.

Visit the Partnership's website at [www.dynagaspartners.com](http://www.dynagaspartners.com)

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## **Forward-Looking Statement**

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

The Partnership desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words “believe,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “plan,” “potential,” “may,” “should,” “expect,” “expected,” “pending,” “will” and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, examination by the Partnership’s management of historical operating trends, data contained in its records and other data available from third parties. Although the Partnership believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Partnership’s control, the Partnership cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, other important factors that, in the Partnership’s view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for Liquefied Natural Gas (LNG) shipping capacity, changes in the Partnership’s operating expenses, including bunker prices, drydocking and insurance costs, the market for the Partnership’s vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessel breakdowns and instances of off-hires and other factors. Please see the Partnership’s filings with the Securities and Exchange Commission for a more complete discussion of these and other risks and uncertainties. The information set forth herein speaks only as of the date hereof, and the Partnership disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication.



# DYNAGAS LNG Partners LP

## APPENDIX A

### DYNAGAS LNG PARTNERS LP Unaudited Interim Condensed Consolidated Statements of Income

(In thousands of U.S. dollars except units and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES</b>				
Voyage revenues	\$ 42,638	\$ 35,551	\$ 85,379	\$ 71,171
<b>EXPENSES</b>				
Voyage expenses (including related party)	(745)	(621)	(1,464)	(1,341)
Vessel operating expenses	(6,664)	(5,983)	(13,020)	(11,474)
General and administrative expenses (including related party)	(456)	(402)	(1,074)	(939)
Management fees -related party	(1,491)	(1,206)	(2,983)	(2,400)
Depreciation	(7,559)	(6,035)	(15,111)	(12,003)
<b>Operating income</b>	<b>25,723</b>	<b>21,304</b>	<b>51,727</b>	<b>43,014</b>
Interest and finance costs, net	(8,707)	(6,929)	(17,405)	(13,814)
Other, net	(50)	(72)	(221)	(19)
<b>Net Income</b>	<b>\$ 16,966</b>	<b>\$ 14,303</b>	<b>\$ 34,101</b>	<b>\$ 29,181</b>
<b>Earnings per unit, basic and diluted</b>				
Common unit (basic and diluted)	\$ 0.43	\$ 0.40	\$ 0.86	\$ 0.82
<b>Weighted average number of units outstanding, basic and diluted:</b>				
Common units	20,505,000	20,505,000	20,505,000	20,505,000



# DYNAGAS LNG Partners LP

**DYNAGAS LNG PARTNERS LP**  
**Consolidated Condensed Balance Sheets (unaudited)**  
 (Expressed in thousands of U.S. Dollars—except for unit data)

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 57,248	\$ 24,293
Due from related party	384	460
Other current assets	2,313	1,061
<b>Total current assets</b>	<b>59,945</b>	<b>25,814</b>
<b>FIXED ASSETS, NET:</b>		
Vessels, net	1,022,902	1,036,157
<b>Total fixed assets, net</b>	<b>1,022,902</b>	<b>1,036,157</b>
<b>OTHER NON CURRENT ASSETS:</b>		
Restricted cash	25,000	25,000
Due from related party	1,350	1,350
Above market acquired time charters	16,168	19,782
<b>Total assets</b>	<b>\$ 1,125,365</b>	<b>\$ 1,108,103</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt, net of deferred financing costs	\$ 31,654	\$ 27,467
Trade payables	4,857	4,935
Due to related party	328	230
Accrued liabilities	3,786	3,595
Unearned revenue	15,126	15,126
<b>Total current liabilities</b>	<b>55,751</b>	<b>51,353</b>
Deferred revenue	1,065	1,094
Due to related party, non-current	—	35,000
Long-term debt, net of current portion and deferred financing costs	700,038	652,818
<b>Total non-current liabilities</b>	<b>701,103</b>	<b>688,912</b>
<b>PARTNERS' EQUITY:</b>		
General partner (35,526 units issued and outstanding as at June 30, 2016 and December 31, 2015)	96	95
Common unitholders (20,505,000 units issued and outstanding as at June 30, 2016 and December 31, 2015)	303,342	302,954
Series A Preferred unitholders: (3,000,000 units issued and outstanding as at June 30, 2016 and December 31, 2015)	(8,143)	73,216
Subordinated unitholders (14,985,000 units issued and outstanding as at June 30, 2016 and December 31, 2015)	73,216	(8,427)
<b>Total partners' equity</b>	<b>368,511</b>	<b>367,838</b>
<b>Total liabilities and partners' equity</b>	<b>\$ 1,125,365</b>	<b>\$ 1,108,103</b>





# DYNAGAS LNG Partners LP

**DYNAGAS LNG PARTNERS LP**  
**Unaudited Interim Consolidated Statements of Cash Flows**  
**(Expressed in thousands of U.S. Dollars)**

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from Operating Activities:</b>		
Net income:	\$ 34,101	\$ 29,181
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	15,111	12,003
Amortization of deferred financing fees	990	770
Amortization of fair value of acquired time charter	3,614	—
Deferred revenue	(29)	637
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	(170)	(853)
Prepayments and other assets	(525)	(170)
Inventories	(557)	71
Due from/ to related parties	174	514
Trade payables	399	316
Accrued liabilities	191	(143)
Unearned revenue	—	(1,690)
<b>Net cash from Operating Activities</b>	<b>53,299</b>	<b>40,636</b>
<b>Cash flows from Investing Activities</b>		
Vessel Acquisitions and other additions to vessels' cost	(37,178)	—
<b>Net cash used in Investing Activities</b>	<b>(37,178)</b>	<b>—</b>
<b>Cash flows from Financing Activities:</b>		
Payment of preferred units issuance costs and other filing costs	(119)	(65)
Distributions declared and paid	(33,428)	(30,053)
Repayment of long-term debt	(16,250)	(10,000)
Proceeds from long-term debt	66,667	—
Payment of deferred finance fees	(36)	(11)
<b>Net cash from/ (used in) Financing Activities</b>	<b>16,834</b>	<b>(40,129)</b>
<b>Net increase in cash and cash equivalents</b>	<b>32,955</b>	<b>507</b>
Cash and cash equivalents at beginning of the period	24,293	11,949
Cash and cash equivalents at end of the period	<b>\$ 57,248</b>	<b>\$ 12,456</b>



# DYNAGAS LNG Partners LP

## APPENDIX B

### Fleet statistics

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(expressed in United states dollars except for operational data)</i>				
Number of vessels at the end of period	6	5	6	5
Average number of vessels in the period (1)	6	5	6	5
Calendar Days (2)	546.0	455.0	1,092.0	905.0
Available Days (3)	546.0	455.0	1,092.0	905.0
Revenue earning days (5)	546.0	442.4	1,092.0	892.4
Time Charter Equivalent (4)	\$ 76,727	\$ 76,769	\$ 76,845	\$ 77,160
Fleet Utilization (5)	100%	97%	100%	99%
Vessel daily operating expenses (6)	\$ 12,205	\$ 13,149	\$ 11,923	\$ 12,678

- (1) Represents the number of vessels that constituted the Partnership's fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of its fleet during the period divided by the number of Calendar Days in the period.
- (2) Calendar Days are the total days the Partnership possessed the vessels in its fleet for the relevant period.
- (3) Available Days are the total number of Calendar Days the Partnership's vessels were in its possession during a period, less the total number of scheduled off-hire days during the period associated with major repairs, or dry-dockings.
- (4) Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel. For time charters, this is calculated by dividing total voyage revenues, less any voyage expenses, by the number of Available Days during that period. Under a time charter, the charterer pays substantially all vessel voyage related expenses. However, the Partnership may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during dry-docking or due to other unforeseen circumstances. The TCE rate is not a measure of financial performance under U.S. GAAP (non-GAAP measure), and should not be considered as an alternative to voyage revenues, the most directly comparable GAAP measure, or any other measure of financial performance presented in accordance with U.S. GAAP. However, TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company's performance and assists the Partnership's management in making decisions regarding the deployment and use of the Partnership's vessels and in evaluating their financial performance. The Partnership's calculation of TCE rates may not be comparable to that reported by other companies. The following table reflects the calculation of the Partnership's TCE rates for the three and six months ended June 30, 2016 and 2015 (amounts in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and Available Days):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(In thousands of U.S. dollars, except for Available Days and TCE rate)</i>				
Voyage revenues	\$ 42,638	\$ 35,551	\$ 85,379	\$ 71,171

Voyage Expenses (7)		(745)	(621)	(1,464)	(1,341)
<b>Time Charter equivalent revenues</b>	\$	<b>41,893</b>	\$ <b>34,930</b>	\$ <b>83,915</b>	\$ <b>69,830</b>
Available Days (3)		546.0	455.0	1,092.0	905.0
<b>Time charter equivalent (TCE) rate</b>	\$	<b>76,727</b>	\$ <b>76,769</b>	\$ <b>76,845</b>	\$ <b>77,160</b>

- (5) The Partnership calculates fleet utilization by dividing the number of its revenue earning days, which are the total number of Available Days of the Partnership's vessels net of unscheduled off-hire days, during a period, by the number of Available Days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs but excluding scheduled off-hires for vessel upgrades, dry-dockings or special or intermediate surveys.
- (6) Daily vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, spares and repairs and flag taxes, are calculated by dividing vessel operating expenses by fleet Calendar Days for the relevant time period.
- (7) Voyage expenses include commissions of 1.25% paid to the Partnership's Manager and third party ship brokers, when defined in the charter parties, bunkers, port expenses and other minor voyage expenses.

## Reconciliation of U.S. GAAP Financial Information to Non-GAAP Financial Information

### Reconciliation of Net Income to Adjusted EBITDA

<i>(In thousands of U.S. dollars)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>Reconciliation to Net Income</i>				
Net Income	\$ 16,966	\$ 14,303	\$ 34,101	\$ 29,181
Net interest and finance costs <sup>(1)</sup>	8,707	6,929	17,405	13,814
Depreciation	7,559	6,035	15,111	12,003
Amortization of fair value of acquired time charter	1,807	—	3,614	—
Charter hire amortization	(15)	302	(29)	637
<b>Adjusted EBITDA</b>	<b>\$ 35,024</b>	<b>\$ 27,569</b>	<b>\$ 70,202</b>	<b>\$ 55,635</b>

<sup>(1)</sup>Includes interest and finance costs and interest income, if any

The Partnership defines Adjusted EBITDA as earnings before interest and finance costs, net of interest income (if any), gains/losses on derivative financial instruments (if any), taxes (when incurred), depreciation and amortization (when incurred) and significant non-recurring items (if any). Adjusted EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as investors, to assess the Partnership's operating performance.

The Partnership believes that Adjusted EBITDA assists its management and investors by providing useful information that increases the comparability of the Partnership's performance

operating from period to period and against the operating 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, depreciation and amortization and taxes, 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 measure of operating performance 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 not a measure of financial performance under U.S. GAAP, does not represent and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. Adjusted EBITDA excludes some, but not all, items that affect net income and these measures may vary among other companies. Therefore, Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

**Reconciliation of Net Income to Adjusted Net Income available to common unitholders and Adjusted Earnings per common unit**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(In thousands of U.S. dollars)</i>				
Net Income	\$ 16,966	\$ 14,303	\$ 34,101	\$ 29,181
Charter hire amortization	(15)	302	(29)	637
Amortization of fair value of acquired time charter	1,807	—	3,614	—
<b>Adjusted Net Income</b>	<b>\$ 18,758</b>	<b>\$ 14,605</b>	<b>\$ 37,686</b>	<b>\$ 29,818</b>
Less: Adjusted Net Income attributable to subordinated, preferred unitholders and general partner	(8,915)	(6,185)	(17,902)	(12,627)
<b>Common unitholders' interest in Adjusted Net Income</b>	<b>\$ 9,843</b>	<b>\$ 8,420</b>	<b>\$ 19,784</b>	<b>\$ 17,191</b>
Weighted average number of common units outstanding, basic and diluted:	20,505,000	20,505,000	20,505,000	20,505,000
<b>Adjusted Earnings per common unit, basic and diluted</b>	<b>\$ 0.48</b>	<b>\$ 0.41</b>	<b>\$ 0.96</b>	<b>\$ 0.84</b>

Adjusted Net Income represents net income before non-recurring expense resulting from accelerated time charter amortization, charter hire amortization related to time charters with escalating time charter rates and amortization of fair value of acquired time charters, all of which are significant non-cash items. Adjusted Net Income available to common unitholders

represents the common unitholders interest in Adjusted Net Income for each period presented. Adjusted Earnings per common unit represents Adjusted Net Income attributable to common unitholders divided by the weighted average common units outstanding during each period presented.

Adjusted Net Income, Adjusted Net Income per common unit and Adjusted Earnings per common unit, basic and diluted, are not recognized measures under U.S. GAAP and should not be regarded as substitutes for net income and earnings per unit, basic and diluted. The Partnership's definition of Adjusted Net Income, Adjusted Net Income per common unit and Adjusted Earnings per common unit, basic and diluted, may not be the same as that reported by other companies in the shipping industry or other industries. The Partnership believes that the presentation of Adjusted Net Income and Adjusted Earnings per unit available to common unitholders are useful to investors because they facilitate the comparability and the evaluation of companies in the Partnership's industry. In addition, the Partnership believes that Adjusted Net Income is useful in evaluating its operating performance compared to that of other companies in the Partnership's industry because the calculation of Adjusted Net Income generally eliminates the accounting effects of items which may vary for different companies for reasons unrelated to overall operating performance. The Partnership's presentation of Adjusted Net Income available to common unitholders and Adjusted Earnings per common unit should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items.

### Distributable Cash Flow Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<i>(In thousands of U.S. dollars)</i>				
<b>Net Income</b>	\$ 16,966	\$ 14,303	\$ 34,101	\$ 29,181
Depreciation	7,559	6,035	15,111	12,003
Amortization of deferred finance fees	501	385	990	770
Net interest and finance costs, excluding amortization <sup>(1)</sup>	8,206	6,544	16,415	13,044
Amortization of fair value of acquired time charter	1,807	—	3,614	—
Charter hire amortization	(15)	302	(29)	637
<b>Adjusted EBITDA</b>	<b>\$ 35,024</b>	<b>\$ 27,569</b>	<b>\$ 70,202</b>	<b>\$ 55,635</b>
Net interest and finance costs, excluding amortization <sup>(1)</sup>	(8,206)	(6,544)	(16,415)	(13,044)
Maintenance capital expenditure reserves	(1,038)	(861)	(2,077)	(1,721)
Replacement capital expenditure reserves	(3,195)	(2,731)	(6,389)	(5,461)
<b>Distributable Cash Flow</b>	<b>\$ 22,585</b>	<b>\$ 17,433</b>	<b>\$ 45,321</b>	<b>\$ 35,409</b>

<sup>(1)</sup> Includes interest and finance costs and interest income, if any.



Distributable Cash Flow with respect to any period presented means Adjusted EBITDA after considering period interest and finance costs 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 the Partnership's 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. The Partnership's calculation of the Distributable Cash Flow may not be comparable to that reported by other companies. 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 the Partnership's performance calculated in accordance with GAAP.