



DYNAGAS LNG Partners LP

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Q2 2017 Results Presentation  
5 September 2017



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# Recent Developments

## Fleet Update

- 🔥 *Clean Energy* and *Ob River* commenced and completed their scheduled 5 year class special survey in Q2.
- 🔥 *Amur River* commenced its scheduled 5 year special survey in Q2, completed in Q3 17.
- 🔥 *Clean Energy* now trading in the short term market until she delivers into her ~8 year contract with Gazprom in July 2018.
- 🔥 Next special survey & dry docking in about 5 years.

## Q2 2017 Financial Highlights

- 🔥 Adjusted EBITDA: \$22.9 million
- 🔥 Adjusted Net Income: \$4.2 million
- 🔥 Reported net loss of \$5.2 million includes \$4.9 million of scheduled class survey and dry dock costs for the 3 steam turbine vessels and one-off \$2.6 million non-cash charges associated with the indebtedness refinanced with the proceeds of the Term Loan B.
- 🔥 Distributable Cash Flow: \$8.2 million

## Cash Distributions on common units and Series A preferred units

- 🔥 \$0.4225 cash distribution per common unit for Q2 17, paid on 18 July 2017.
- 🔥 \$0.5625 per unit of its Series A Preferred Units for the period from 12 May 2017 to 11 August 2017, paid on 14 August 2017.

# Q2 2017 Financial Highlights

| <b>USD in thousands</b><br><i>(except per unit, average daily hire and other operational data)</i> | <b>Q2 2017</b> | <b>Q1 2017</b> | <b>Q2 2016</b> |
|--|----------------|----------------|----------------|
| Revenues   | 31,975         | 39,092         | 42,638         |
| Adjusted Net Income <sup>(1)</sup>   | 4,220          | 14,685         | 18,758         |
| Adjusted EBITDA <sup>(1)</sup>   | 22,921         | 31,271         | 35,024         |
| Distributable Cash Flow <sup>(1)</sup>   | 8,200          | 18,634         | 22,585         |
| Annualized cash distributions per unit   | 1.69           | 1.69           | 1.69           |
| Average daily hire per LNG carrier <sup>(2)</sup>  | \$66,900       | \$76,700       | \$81,300       |
| Fleet utilization  | 95%            | 99%            | 100%           |
| Available Days   | 506.6          | 540.0          | 546.0          |
| Average Number of Vessels  | 6              | 6              | 6              |

(1) Adjusted Net Income, Adjusted EBITDA 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 the Appendix.

(2) Average daily hire gross of commissions represents voyage revenue without taking into consideration the non-cash time charter amortization expense and amortization of above market acquired time charter contract, divided by the Available Days in the Partnership's fleet.

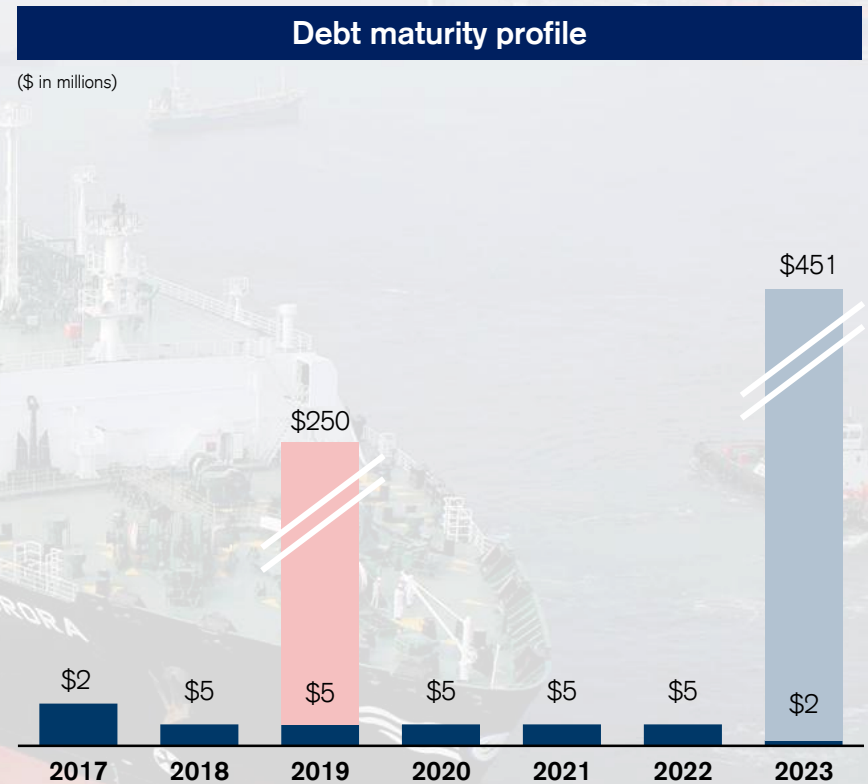
# Distributable Cash Flow and Coverage Ratio

| <i>USD in thousands</i>                                      | Three Months Ended<br>30 June 2017 | Three Months Ended<br>30 June 2016 |
|--|------------------------------------|------------------------------------|
| Net (loss)/income  | (5,181)                            | 16,966                             |
| Depreciation   | 7,559                              | 7,559                              |
| Amortization & write off of deferred financing fees          | 3,237                              | 501                                |
| Net interest and finance costs, excluding amortization       | 10,488                             | 8,206                              |
| Class survey costs   | 4,911                              | -                                  |
| Amortization of fair value of acquired time charter          | 1,807                              | 1,807                              |
| Charter hire amortization                                    | 100                                | (15)                               |
| <b>Adjusted EBITDA</b>                                       | <b>22,921</b>                      | <b>35,024</b>                      |
| Less: Net interest and finance costs, excluding amortization | (10,488)                           | (8,206)                            |
| Less: Maintenance capital expenditure reserves               | (1,038)                            | (1,038)                            |
| Less: Replacement capital expenditure reserves               | (3,195)                            | (3,195)                            |
| <b>Distributable Cash Flow</b>                               | <b>8,200</b>                       | <b>22,585</b>                      |
| Less: declared Preferred Unitholders' distributions          | (1,688)                            | (1,688)                            |
| <b>Distributable Cash, net of preferred <sup>(1)</sup></b>   | <b>6,512</b>                       | <b>20,897</b>                      |
| Total declared Distributions <sup>(1)</sup>                  | 15,027                             | 15,027                             |
| <b>Coverage Ratio <sup>(1)</sup></b>                         | <b>0.43x</b>                       | <b>1.39x</b>                       |

**Average Distribution Coverage Ratio 1.07x over last 12 months**

# Debt Profile

- First debt maturity: Non amortizing 6.25% senior unsecured notes due October 2019
- Secured Term Loan B maturity: May 2023
- Low amortization of \$4.8 million per annum fully supported by long-term contract coverage.
- Contract backlog of \$1.49 billion with average term of 10.2 years extends well beyond debt maturities.



# Healthy Liquidity and Capital Structure

| Selected Balance Sheet Data<br>(USD in million) |  | 30 June 2017 |
|---|--|--------------|
| Vessels' book value                             |  | 993          |
| Cash  |  | 74           |
| Total Assets                                    |  | 1,081        |
| Gross debt                                      |  | 730          |
| Partners' Equity                                |  | 342          |
|   |  |              |
| Net Debt/ LTM EBITDA                            |  | 5.3x         |

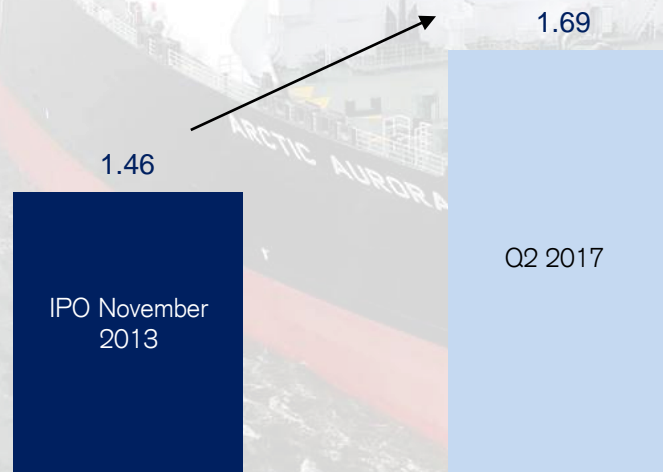
| USD in millions                       | As at 1 <sup>st</sup> September 2017 |
|---------------------------------------|--------------------------------------|
| Term Loan B                           | 480                                  |
| Unsecured Notes                       | 250                                  |
| Total Debt                            | 730                                  |
|                                       |                                      |
| Market Value of Equity <sup>(1)</sup> | 508                                  |
| Preferred Equity                      | 75                                   |
| Total Capitalization                  | 1,313                                |
| Debt / Capitalization                 | 56%                                  |

**Strong balance sheet with ~\$104 million in available liquidity**

# Cash Distributions

| USD in million                                      | Q2 2017 | Since IPO |
|---|---------|-----------|
| Declared and paid Cash Distributions <sup>(1)</sup> | 15.0    | 208.3     |
| Distributable Cash Flow                             | 8.2     | 254.8     |

Annual Cash Distributions per common unit (amounts in USD)



Total cash distributions of \$ 5.94 per common unit since IPO

(1) Refers to Common and GP Unitholders for Q2 17



# Fleet Profile

|                                    |  |
|------------------------------------|--|
| Fleet                              | <ul style="list-style-type: none"> <li>6 LNG carriers</li> </ul>   |
| Total cbm capacity                 | <ul style="list-style-type: none"> <li>914,100 cbm (149,700 cbm for steam turbine LNG fleet, 155,000 cbm for the tri-fuel diesel engine LNG fleet (TFDE's))</li> </ul> |
| Fleet average age                  | <ul style="list-style-type: none"> <li>~7.1 years<sup>(1)</sup></li> </ul>   |
| Average remaining charter duration | <ul style="list-style-type: none"> <li>~10.2 years<sup>(1)(2)</sup></li> </ul>   |
| Counterparties                     | <ul style="list-style-type: none"> <li>Gazprom, Statoil, Yamal</li> </ul>  |
| Total estimated contract backlog   | <ul style="list-style-type: none"> <li>\$1.49 billion<sup>(1)(2)</sup></li> </ul>  |
| Differentiation                    | <ul style="list-style-type: none"> <li>Fleet has the ability to trade as conventional LNG Carriers and in ice bound areas with no cost disadvantages</li> </ul>        |
| Selected charterers                |    |

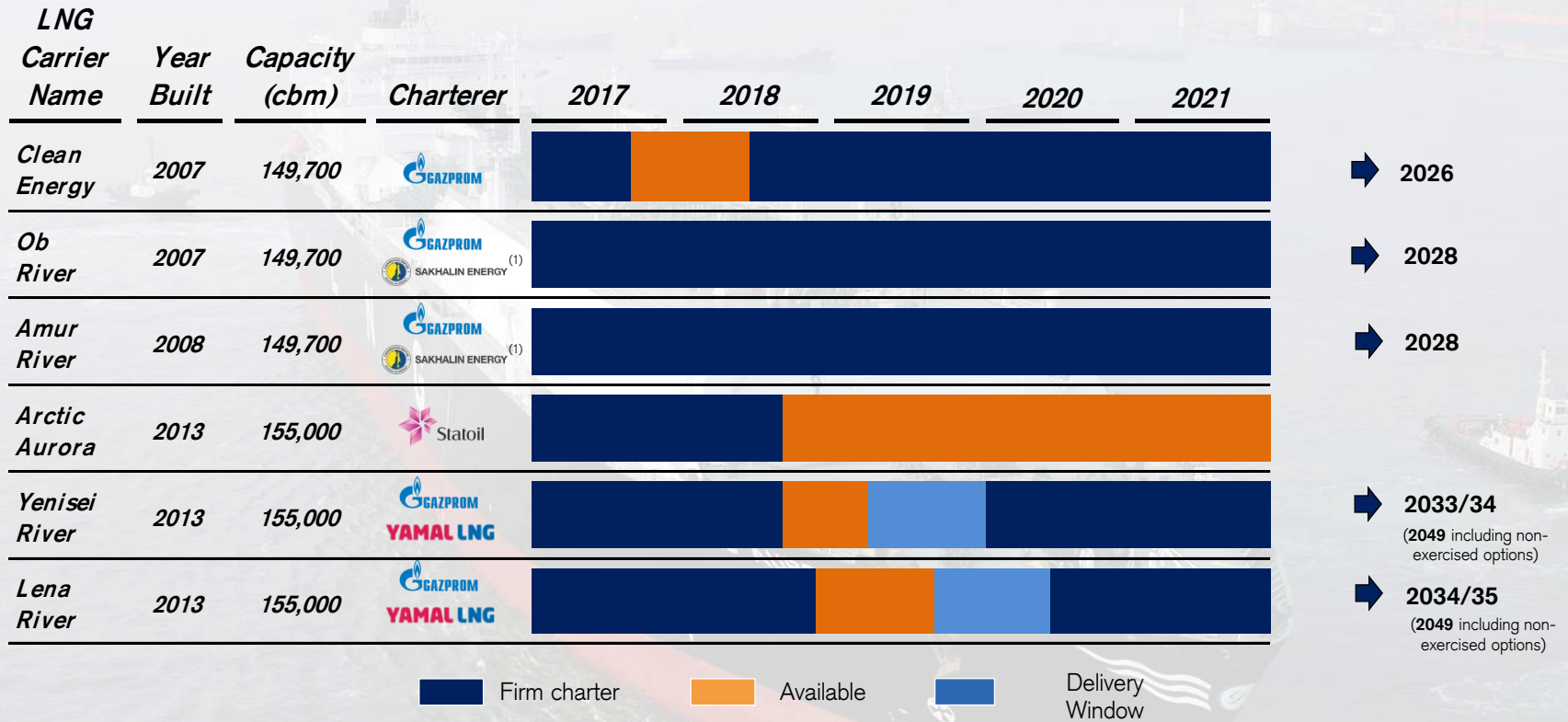
(1)

As of 4 September 2017.

(2)

Does not include charterer extension options, basis earliest delivery and redelivery dates. Including the *Yenisei River* and *Lena River* time charter contracts with Yamal for the Yamal LNG project. The time charter contracts with Yamal are subject to the satisfaction of certain 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.

# Long-Term Charters Provide Steady, Predictable Cash Flows



Five out of six LNG carriers with ice class specification

Proven ability to capitalize on market leadership in ice class trades with long-term contracts

84% contracted fleet for 2017, 75% for 2018 and 2019 with minimal capital requirements provides significant free cash flow

Total contract backlog of approximately \$1.49 billion<sup>(2)</sup> – 10.2 years remaining average duration

(1) Amur River and Ob River are sub-chartered to Sakhalin Energy Investment Company as the project requires ice class vessels to load cargoes during the winter season.

(2) As of 4 September 2017, including the Yenisei River and Lena River time charter contracts. The time charter contracts with Yamal are subject to the satisfaction of certain 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.

# Dropdown Opportunities

- All LNG carriers are chartered on long-term contracts, providing multi-billion dollar contract backlog
- The Sponsor is a critical partner to Novatek, Total and CNPC
- The Sponsor and DLNG together account for 11 out of 27 ships contracted to Yamal LNG

| Carrier name                      | Year built / expected delivery | Capacity (cbm) | Type               | Charterer             | 2016           | 2017                 | 2018           | 2019              | 2020           | 2021 | 2022    | Firm Contract Expiry |
|-----------------------------------|--------------------------------|----------------|--------------------|-----------------------|----------------|----------------------|----------------|-------------------|----------------|------|---------|----------------------|
| Clean Ocean <sup>(2)</sup>        | 2014                           | 162,000        | Arc-4 Ice Class 1A | YAMAL LNG<br>CHENIERE | [Firm charter] |                      |                |                   |                |      | 2035/36 |                      |
| Clean Planet <sup>(2)</sup>       | 2014                           | 162,000        | Arc-4 Ice Class 1A | YAMAL LNG             | [Cool Pool]    |                      |                | [Delivery Window] | [Firm charter] |      |         | 2034                 |
| Clean Horizon <sup>(2)</sup>      | 2015                           | 162,000        | Arc-4 Ice Class 1A | YAMAL LNG             | [Cool Pool]    |                      |                | [Delivery Window] | [Firm charter] |      |         | 2034                 |
| Clean Vision <sup>(2)</sup>       | 2016                           | 162,000        | Arc-4 Ice Class 1A | YAMAL LNG             | [Cool Pool]    |                      |                | [Delivery Window] | [Firm charter] |      |         | 2034                 |
| Yamal Hull 2421 <sup>(3)(4)</sup> | 2017                           | 172,410        | Arc-7 Ice Class    | YAMAL LNG             |                | [Under Construction] | [Firm charter] |                   |                |      | 2045    |                      |
| Yamal Hull 2422 <sup>(3)(4)</sup> | 2017                           | 172,410        | Arc-7 Ice Class    | YAMAL LNG             |                | [Under Construction] | [Firm charter] |                   |                |      | 2045    |                      |
| Yamal Hull 2427 <sup>(3)(4)</sup> | 2019                           | 172,410        | Arc-7 Ice Class    | YAMAL LNG             |                | [Under Construction] | [Firm charter] |                   |                |      | 2045    |                      |
| Yamal Hull 2428 <sup>(3)(4)</sup> | 2019                           | 172,410        | Arc-7 Ice Class    | YAMAL LNG             |                | [Under Construction] | [Firm charter] |                   |                |      | 2045    |                      |
| Yamal Hull 2429 <sup>(3)(4)</sup> | 2019                           | 172,410        | Arc-7 Ice Class    | YAMAL LNG             |                | [Under Construction] | [Firm charter] |                   |                |      | 2045    |                      |

All LNG carriers have ice class 1A and Arc-7 notations and are fully winterized

Total contract backlog of \$8.1 billion<sup>(1)</sup>

Proven ability to capitalize on market leadership in ice class trades with long term contracts

All vessels fully financed

Firm charter
  Cool Pool
  Delivery Window
  Under Construction

**Dynagas LNG Partners, together with the Sponsor, has five Arc-7 and six Arc-4 vessels on charter to Yamal LNG out of a total of fifteen Arc-7 and twelve Arc-4 vessels dedicated to the project**

(1) Calculation based on 100% of contracted revenues of the Clean Ocean, Clean Planet, Clean Horizon, Clean Vision and Hulls No. 2421, 2422, 2427, 2428 and 2429.  
 (2) Firm period may be extended by three consecutive 5-year optional periods.  
 (3) Sponsor owns 49% equity interests in Hulls No. 2421, 2422, 2427, 2428 and 2429.  
 (4) Firm period may be extended by two consecutive 5-year optional periods.

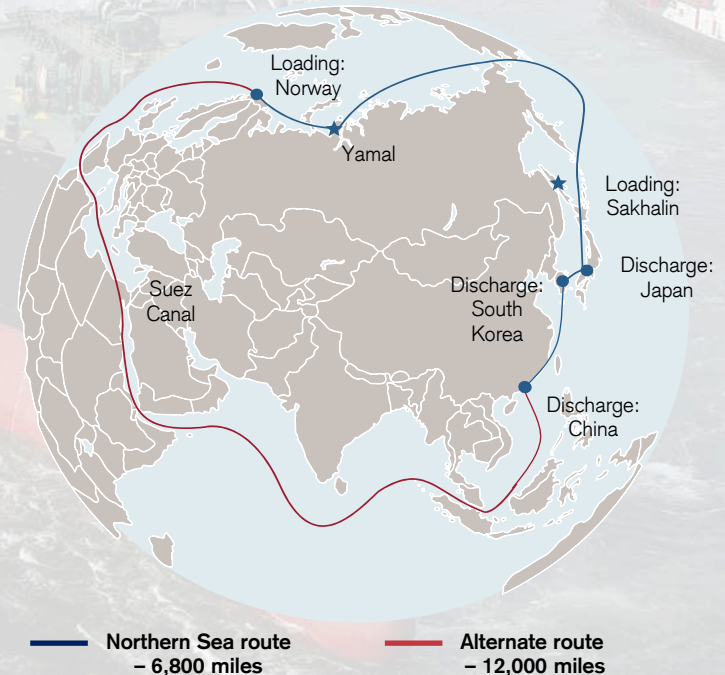
# Market Share: Leader in Ice Class Trades

- Dynagas Group (DLNG and Sponsor) has an 75% market share of the vessels with ice class 1A FS or equivalent notations
  - Limited vessel supply creates sublet opportunities for clients (Gazprom → Sakhalin)
  - First and only LNG shipping company to carry cargoes through the Northern Sea Route
- The Company's Arc-4 LNG/ice class 1A FS vessels may trade as conventional LNG carriers and in ice bound areas
  - Potential for additional revenue stream when trading in ice bound areas
  - No difference in operational cost of ice class and conventional LNG carriers

Very limited ice class 1A FS vessel supply...



...for ice bound LNG export projects



# Industry Overview



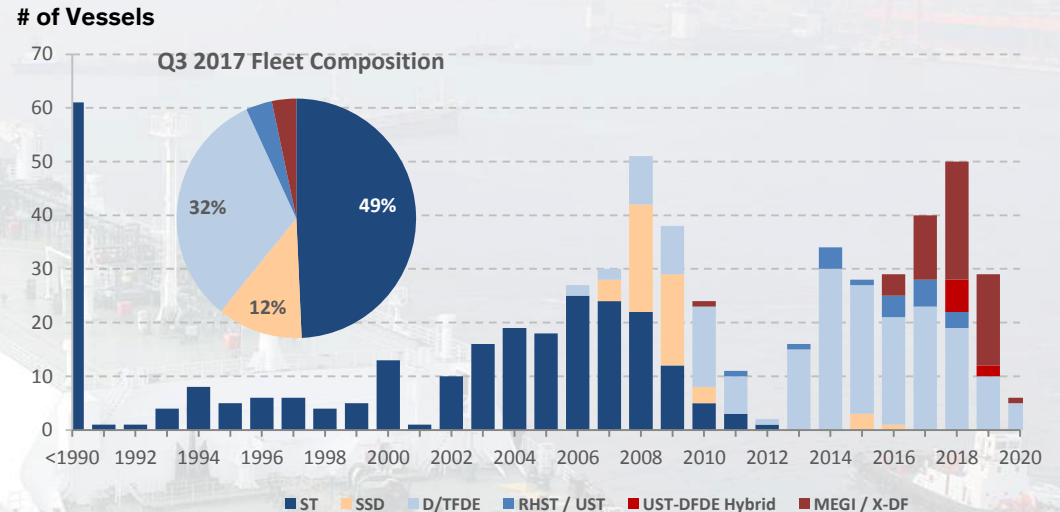
# Composition of the LNG Fleet & Orderbook

## 1. Existing Fleet

- Number of vessels: 459

| Existing Fleet               | # of Vessels | % of Fleet | Average Age |
|------------------------------|--------------|------------|-------------|
| 185 -266,000 m <sup>3</sup>  | 45           | 10%        | 8 Yrs       |
| 167- 185,000 m <sup>3</sup>  | 68           | 15%        | 2 Yrs       |
| 144 – 167,500 m <sup>3</sup> | 201          | 43%        | 7Yrs        |
| 125-144,000 m <sup>3</sup>   | 137          | 30%        | 17 Yrs      |
| 65-125,000 m <sup>3</sup>    | 7            | 2%         | 23 Yrs      |
| <b>Total</b>                 | <b>464</b>   |            |             |
| (Of which Laid up)           | 24           | 5%         | 32 Yrs      |
| (Of which FSRU/FSUs)         | 32           | 7%         | 13 Yrs      |

## LNG Vessel Deliveries by Propulsion Type

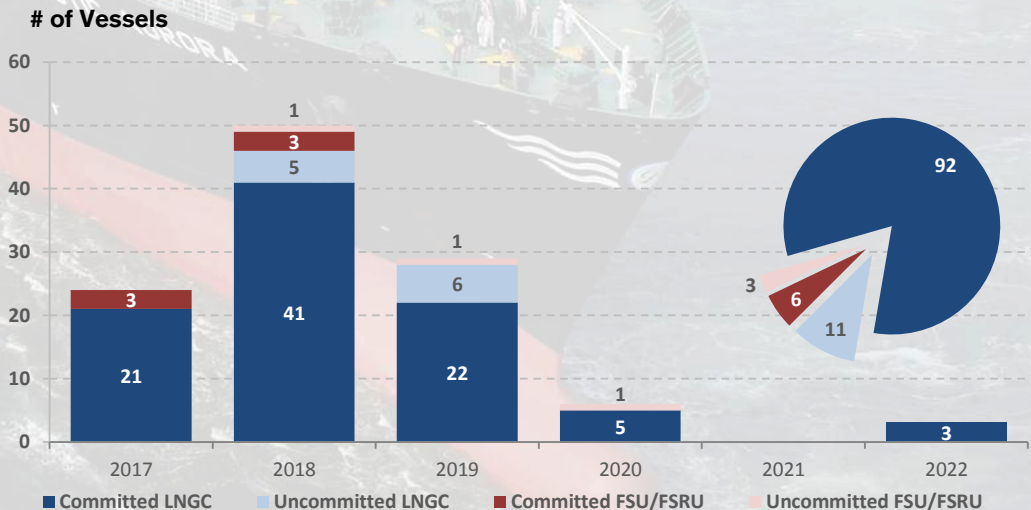


## 2. Orderbook

- Number of vessels: 112
- Uncommitted on order: 14 (11 LNGCs, 3 FSRUs)
- Committed on order: 98 (92 LNGCs, 5 FSRUs, 1 FSU)

| Orderbook                    | # of Vessels | % of Orderbook |
|------------------------------|--------------|----------------|
| 185 -266,000 m <sup>3</sup>  | 1            | 1%             |
| 167- 185,000 m <sup>3</sup>  | 95           | 85%            |
| 150 - 167,500 m <sup>3</sup> | 16           | 14%            |
| <b>Total</b>                 | <b>112</b>   |                |
| (Of which FSRU/FSUs)         | 9            | 9%             |

## LNG Orderbook

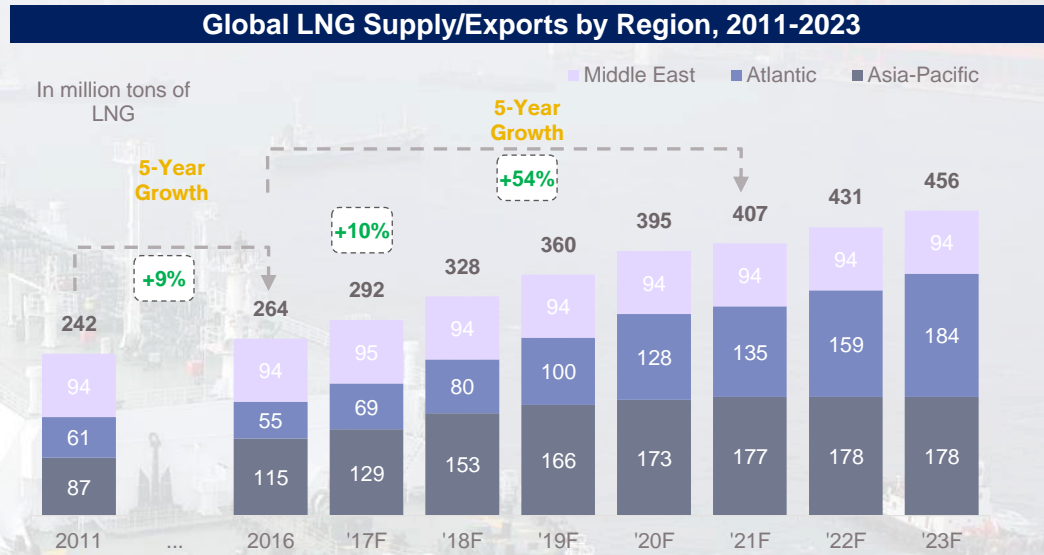


N.B. All fleet statistics exclude vessels <65,000 m<sup>3</sup>, FLNG assets are also excluded

# LNG Trade to increase by over 50% by 2021

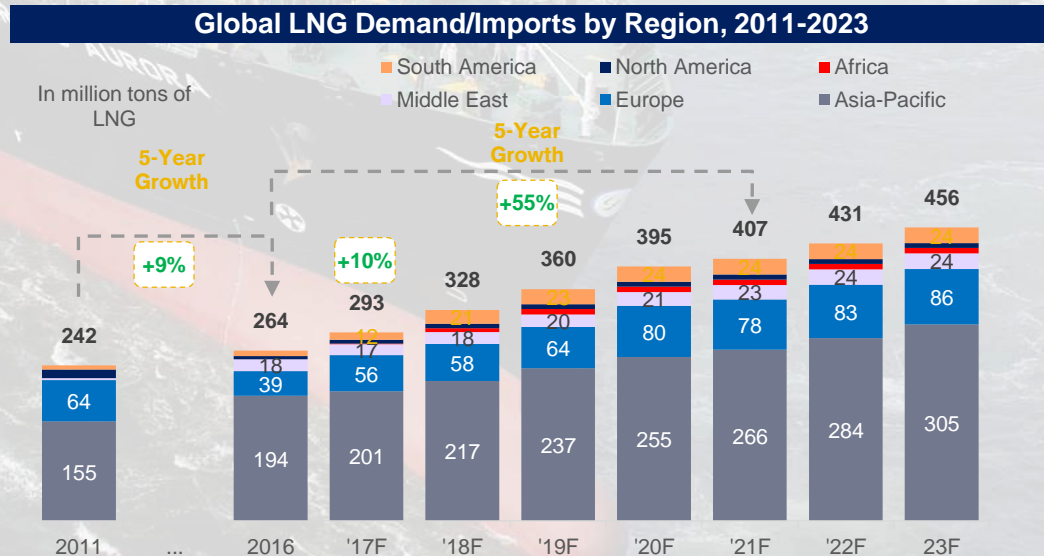
By 2021 global LNG exports are expected to reach ~407 mt, an increase of ~54% compared to 2016.

- LNG exports have increased from ~242 mt in 2011 to ~264 mt in 2016, a 9% rise.
- Forecast assumes that each new project is producing and exporting LNG regardless whether the capacity is sold under a Sales and Purchase Agreement (SPA) or not.
- Over the next 5 years LNG supply is projected to rise by 143 mt or 54% (new projects and existing projects ramping up capacity) to ~407 mt in 2021.



On the demand side majority of volumes are expected to flow into Europe and the Asia-Pacific region which includes emerging markets such as India, Pakistan and Bangladesh

- Traditional LNG importers Japan, South Korea and Taiwan are facing stagnating LNG demand over the next couple of years
- Floating regas solutions have allowed emerging markets and smaller nations to connect to the LNG map, thus compensating for the growth loss from traditional markets
- Analysis suggests that Europe would need to absorb an additional 40 mt in 2021 (~39 mt was imported in 2016) which is a ~102% increase from 2016. Some of these additional volumes are expected to get absorbed by floating regasification projects that have not reached FID yet

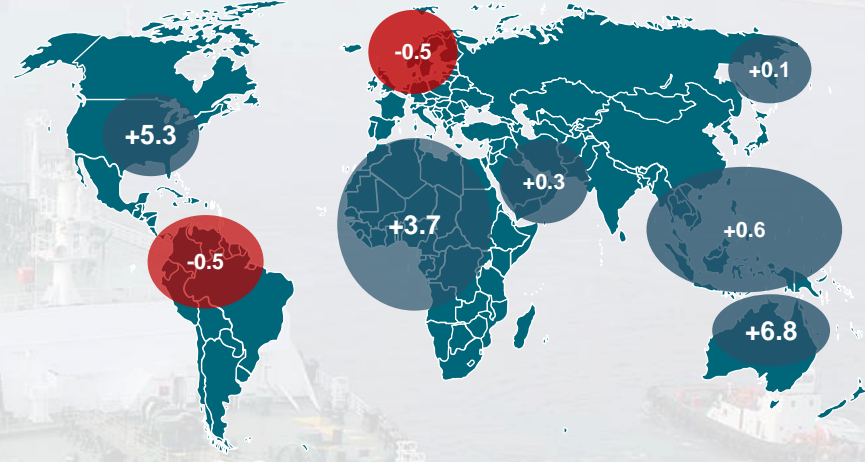


# LNG production up 13%

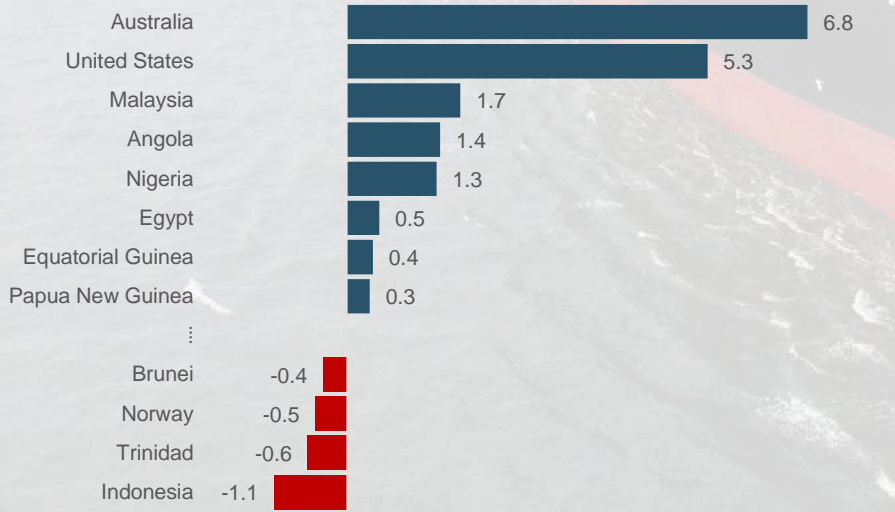
In the first half of 2017 ~143 mt of LNG were exported, up ~12% from H1-16

- Australia and the U.S. produced an incremental 12 mt (H1-17 vs H1-16)
- This trend is expected to continue in the second half of 2017 with existing trains ramping-up capacity and new ones (Cameron LNG, Wheatstone LNG, Yamal LNG) coming online.
- Malaysia contributed 1.7 mt of supply growth in the first half of 2017. Petronas's successfully commissioned train 9 at Bintulu LNG complex in the fourth quarter of 2016 and achieved its first cargo with the PFLNG Satu in March 2017.
- LNG production at Trinidad and Tobago's liquefaction facility declined by 0.6 mt compared to the same quarter a year earlier. LNG production has been shrinking for more than a year due to gas shortages in the country
- Cheniere's Sabine Pass producing from 4 trains.
- Angola LNG loaded 25 cargoes in Q1-17 versus 12 for the whole of 2016

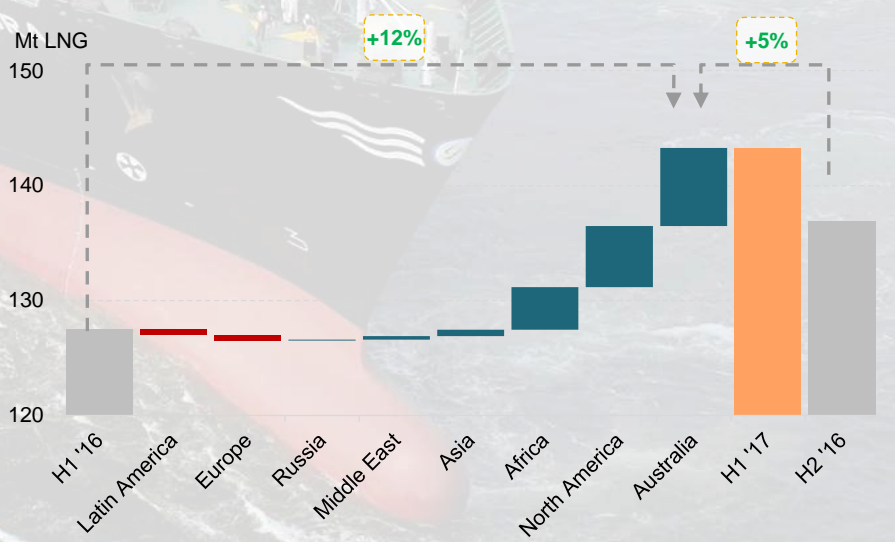
## Incremental LNG Exports by region, H1 17 vs H1 16 (million tons)



## Incremental LNG Exports by Country, H1 17 vs H1 16 (million tons)



## Incremental LNG Exports by Region, H1 17 vs H1 16 (million tons)



Note: LNG exports do not include re-exports and indigenous exports  
Source: Affinity



# Recent Sabine Pass Shipping Behaviour

Recent trading patterns<sup>1</sup> (as of 02 August 2017) from Sabine Pass exports indicate 1.70 vessels (160,000 m<sup>3</sup>) are required on average for each million tonne of LNG exported:

- Far Eastern markets have taken a significant volume so far with 34 cargoes,
- Mexico has imported 37 cargoes and South America another 32 cargoes.
- Several trades have taken sub-optimal routes to market.
  - 8/15 Chilean cargoes opted to round Cape Horn rather than using the Panama canal, incurring an additional ~6,000nm to do so each time.
  - Some vessels discharging into markets in the Middle East and India have opted to round the Cape of Good Hope rather than pass through Suez.
- The Panama Canal has so far been used by vessels discharging into Chile, Mexico and the Far East.
- A considerable amount of U.S. volumes have found a home in Southern Europe and Mediterranean countries, while Northern Europe has not yet absorbed many cargoes.

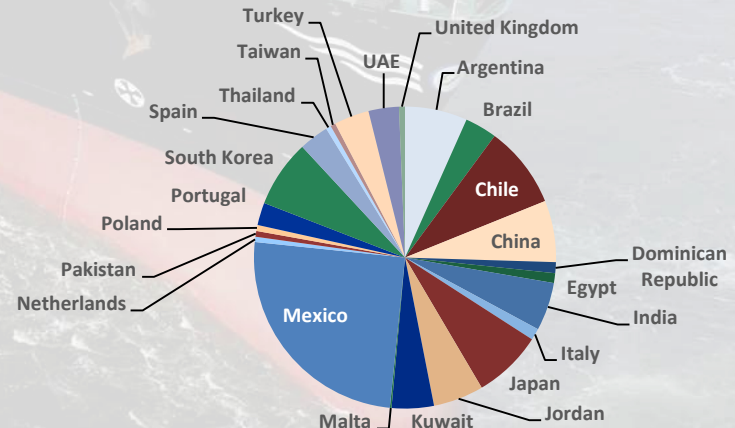
| Country        | # Cargos   | Total Volume (Tonnes) | Ave Laden Duration (Days) | Equivalent # 160k m <sup>3</sup> vessels Required Per MTPA |
|----------------|------------|-----------------------|---------------------------|--|
| Argentina      | 11         | 723,448               | 22                        | 1.74   |
| Brazil         | 6          | 371,294               | 14                        | 1.14   |
| Chile          | 15         | 951,375               | 21                        | 1.67   |
| China          | 10         | 713,700               | 30                        | 2.39   |
| Dom. Republic  | 2          | 126,559               | 20                        | 1.58   |
| Egypt          | 2          | 113,294               | 22                        | 1.80   |
| India          | 8          | 559,105               | 29                        | 2.32   |
| Italy          | 2          | 134,638               | 17                        | 1.40   |
| Japan          | 11         | 802,843               | 30                        | 2.40   |
| Jordan         | 9          | 584,214               | 22                        | 1.74   |
| Kuwait         | 7          | 488,468               | 32                        | 2.53   |
| Malta          | 1          | 19,068                | 28                        | 2.24   |
| Mexico         | 37         | 2,712,147             | 11                        | 0.93   |
| Netherlands    | 1          | 61,042                | 18                        | 1.43   |
| Pakistan       | 1          | 66,627                | 27                        | 2.15   |
| Poland         | 1          | 69,571                | 16                        | 1.31   |
| Portugal       | 4          | 261,378               | 12                        | 1.00   |
| South Korea    | 11         | 781,214               | 31                        | 2.45   |
| Spain          | 6          | 342,967               | 14                        | 1.18   |
| Taiwan         | 1          | 57,745                | 36                        | 2.82   |
| Thailand       | 1          | 60,572                | 35                        | 2.80   |
| Turkey         | 6          | 406,377               | 17                        | 1.39   |
| UAE            | 5          | 352,256               | 28                        | 2.25   |
| United Kingdom | 1          | 69,284                | 13                        | 1.07   |
| <b>Totals</b>  | <b>159</b> | <b>10,829,186</b>     | <b>20.9</b>               |  |

## U.S. LNG Exports: February 2016 – 01 August 2017



The number of cargoes imported into each country is highlighted

## U.S. LNG Export Destinations by Volume - 2016-2017 YTD



# Chinese LNG Market Overview

## The Chinese LNG Market Offers Strong Growth Opportunities

**The Chinese gas market is large and rapidly growing, and lacks conventional domestic gas reserves**

- China became the world's largest energy consumer in 2011.
- Annual Chinese GDP growth is projected to average 6.5% the next five years.
- Chinese hydrocarbon production is limited and unable to keep up with both current consumption and growth.
- Chinese natural gas consumption surpassed domestic production in 2007 and in 2016, imports covered approximately one third of consumption.
- Between 2000 and 2016, Chinese natural gas consumption grew by a compound annual rate of 14%.
- Natural gas still only accounts for roughly 6% of primary energy consumption.

**The Chinese government has stated its intention to boost natural gas usage and limit the use of coal**

- There is substantial international pressure on China to uphold its COP 21 commitments of reducing greenhouse gases.
- Coal use is to be capped at 62% of primary energy consumption by 2020.
- Natural gas to be increased to 10% of primary energy consumption by 2020.
- The Chinese government projects that annual gas demand will increase to 360 bcm in 2020, from 205.8 bcm in 2016.

**Both LNG imports and import capacity are rapidly rising**

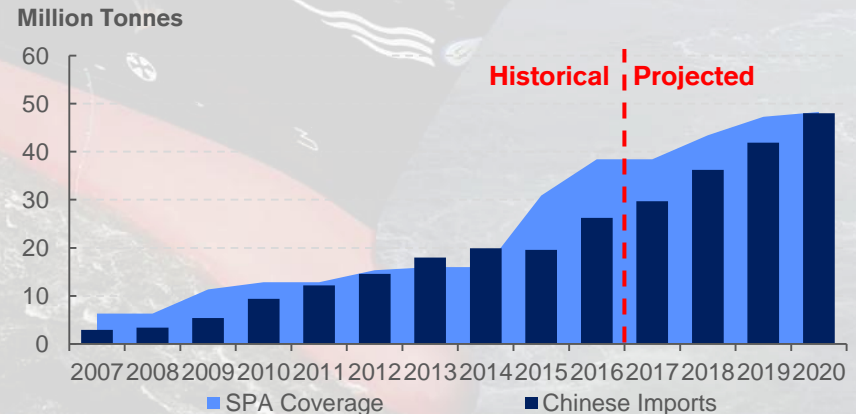
- China is rapidly adding regasification capacity.
- First LNG import terminal was completed in 2008 and now the country has 13 terminals with 10 under construction.
- Chinese annual LNG import growth has averaged approximately 17% over the last five years.
- 2016 LNG imports were 26 million tonnes (~10% of world production) and this is expected to grow to approximately 33 million tonnes in 2017 (25% growth year-on-year).

## Chinese Natural Gas Fields and Infrastructure

**~40 million tonnes of regasification capacity by 2020**



## Chinese Historical and Projected LNG Imports vs SPA Coverage

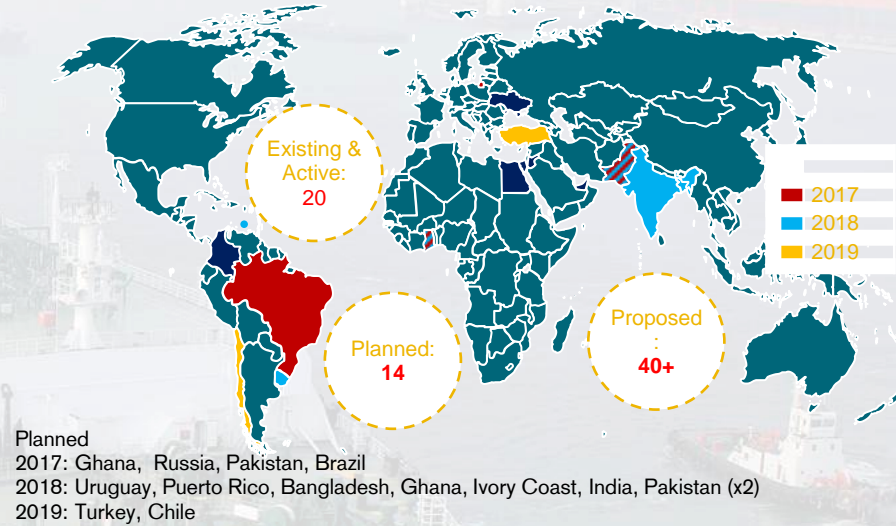


# The floating regas market is accelerating demand

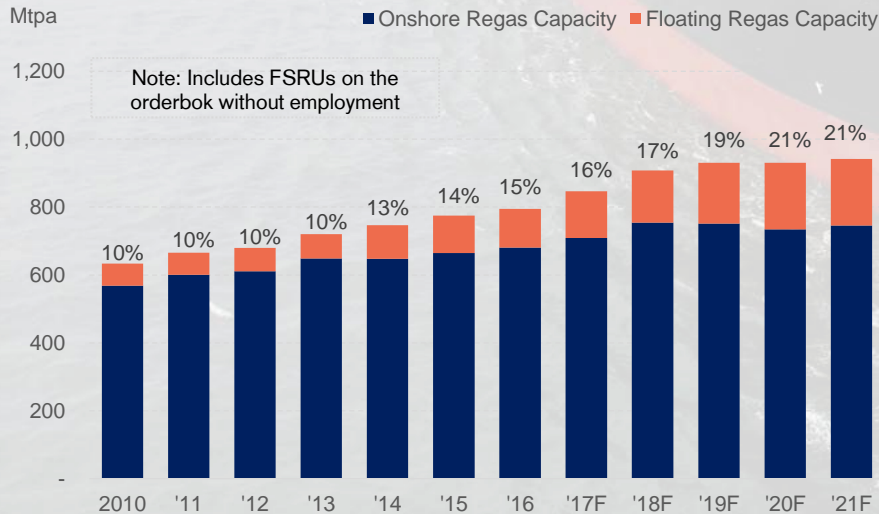
The FSRU market has grown steadily over the past years. By the end of 2016 floating regas capacity made up ~15% of total regas capacity, an increase of 5% from 2010

- This trend is expected to continue as access to new customers and regasification capacity will remain key in the LNG space. Based on regas capacity under construction and planned, the share of floating regas capacity is expected to make up ~21% by 2021
- In December 2016 Colombia joined the FSRU community, followed by Turkey in January 2017. This year FSRU projects are expected to come online in Ghana, Russia, Pakistan and Brazil
- New FSRU projects are expected to add more than 70 mtpa of regasification capacity by the end of 2019. This does not include the capacity of the more than 40 proposed FSRU projects of which likely not all will reach FID stage

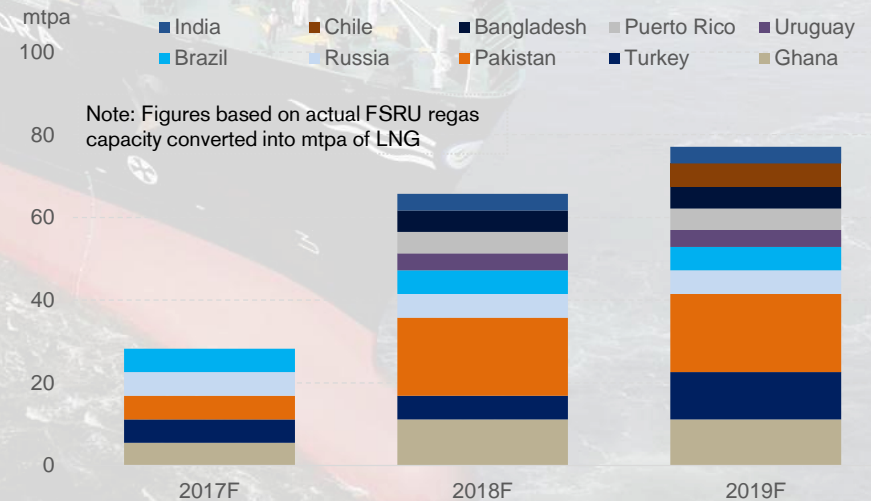
## FSRU Projects – Existing, Planned and Proposed



## Total Global LNG Regas Capacity



## Growth of FSRU Regas Capacity by Project



# Key Partnership Summary

1

**Pure-play LNG shipping Partnership owning premium LNG carriers**

- Modern (average age: 7.1 years)<sup>(1)</sup> and flexible fleet of 6 LNG carriers
- Owns 5 out of a total of 12 LNG carriers in the global fleet with ice class 1A FS or equivalent notations (Sponsor<sup>(2)</sup> owns an additional 4 ice class 1A FS LNG carriers, totaling 9 of the 12 in the global fleet)
- Key and largest partner to arctic LNG projects

2

**Contracted revenues with credit worthy counterparties**

- Fleet employed on long-term contracts to credit worthy counterparties
- Fixed rate charter contract backlog of approximately \$1.49 billion<sup>(1)</sup>
- Significant cash flow generating capacity

3

**Committed Sponsor provides support to Partnership**

- Sponsor<sup>(2)</sup> owns 100% of four Arc-4 ice class LNG carriers on the water and 49% of five Arc-7 ice class LNG carriers to be delivered, all on long term time charters with high quality counterparties
- Sponsor<sup>(2)</sup> owns ~44% of the equity interests and 100% of the General Partner interest in the Partnership

4

**Experienced operator (Dynagas Ltd.) with leading performance record**

- Total LNG carrier managed fleet comprises of 15 high specification LNG carriers
- Provides LNG ship management services to each ship-owning company since 2004
- Extensive experience in constructing and managing ice classed and winterized LNG carriers
- First and only LNG shipping company, together with the Company, to transit and carry cargoes through the Northern Sea Route

5

**Favorable market fundamentals with high barriers to entry**

- LNG shipping represents a fundamental link in the LNG value chain
- Natural gas represents a growing share of total energy use and LNG's share is rising
- Growth in liquefaction capacity outpaces growth in shipping capacity
- Limited global LNG shipbuilding capacity and long lead times

# Appendix



# Reconciliation of Net (loss)/income to Adjusted Net Income and Adjusted Earnings per common unit

| <i>(In thousands of U.S. Dollars, except for units and per unit data)</i>            | Three Months Ended |                  |
|--|--------------------|------------------|
|  | 30 June            |                  |
|  | 2017               | 2016             |
| Net (loss)/income  | \$ (5,181)         | \$ 16,966        |
| Charter hire amortization  | 100                | (15)             |
| Non-cash accelerated amortization of deferred loan fees                              | 2,583              | —                |
| Class survey costs   | 4,911              | —                |
| Amortization of fair value of acquired time charter                                  | 1,807              | 1,807            |
| <b>Adjusted Net Income</b>   | <b>\$ 4,220</b>    | <b>\$ 18,758</b> |
| Less: Adjusted Net Income attributable to subordinated, preferred and GP unitholders | (1,707)            | (8,915)          |
| <b>Common unitholders' interest in Adjusted Net Income</b>                           | <b>\$ 2,513</b>    | <b>\$ 9,843</b>  |
| Weighted average number of common units outstanding, basic and diluted               | 35,490,000         | 20,505,000       |
| <b>Adjusted Earnings per common unit, basic and diluted</b>                          | <b>\$ 0.07</b>     | <b>\$ 0.48</b>   |

Adjusted Net Income/(loss) represents net income/(loss) before non recurring expenses (if any), amortization of fair value of time charters acquired and charter hire amortization related to time charters with escalating time charter rates. 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/(loss) attributable to common unitholders divided by the weighted average common units outstanding during each period presented.

Adjusted Net Income 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 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 its industry. In addition, the Partnership believes that Adjusted Net Income is useful in evaluating its operating performance compared to that of other companies in our 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.

# Reconciliation of Net (loss)/income to Adjusted EBITDA

| Reconciliation to Net Income/ (loss)                | Three Months Ended<br>30 June |                  |
|---|-------------------------------|------------------|
|   | 2017                          | 2016             |
| <i>(In thousands of U.S dollars)</i>                |                               |                  |
| Net (loss)/ income                                  | \$ (5,181)                    | \$ 16,966        |
| Net interest and finance costs                      | 13,725                        | 8,707            |
| Depreciation  | 7,559                         | 7,559            |
| Class survey costs                                  | 4,911                         | -                |
| Amortization of fair value of acquired time charter | 1,807                         | 1,807            |
| Charter hire amortization                           | 100                           | (15)             |
| <b>Adjusted EBITDA</b>                              | <b>\$ 22,921</b>              | <b>\$ 35,024</b> |

The Partnership defines Adjusted EBITDA as earnings/(losses) 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), class survey costs 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 its operating performance.

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