

## Profile

Capital Product Partners L.P. (Nasdaq: CPLP) is an international, diversified shipping company and leader in the seaborne transportation of a wide range of cargoes, including crude oil, refined oil products, such as gasoline, diesel, fuel oil, jet fuel and edible oils, as well as dry cargo and containerized goods. As a publicly traded master limited partnership, CPLP has elected to be treated as a C-Corp. for tax purposes which is most beneficial for U.S. investors (as they receive the standard 1099 form).

The Partnership is well-positioned to benefit from the long-term growth dynamics of the global shipping industry and to capitalize on potential acquisition opportunities in the fragmented shipping market. CPLP benefits from the commercial and technical management agreement with Capital Ship Management Corp. ('CSM'), an established and reputable diversified shipping company.

### **Spin-off of CPLP's Crude and Product Tanker Business and Merger with the Business and Operations of DSS Holdings L.P.**

On November 27, 2018, the Partnership announced that it entered into a definitive transaction agreement with DSS Holdings L.P. ("DSS"), a privately held company and one of the world's largest owners and operators of medium-range product and Suezmax crude tankers, pursuant to which it has agreed to spin off its crude and product tanker business into a separate publicly listed company, which will merge with DSS's businesses and operations in a share-for-share transaction (the "Transaction").

The new company (Athena Spinco Inc.), to be called Diamond S Shipping Inc., will be a market leader in the crude and product tanker markets, benefitting from a balanced and large-scale portfolio of vessels, strong management leadership and a cost-efficient commercial platform. Its asset portfolio will consist of the combined product and crude tanker fleet of CPLP and DSS, totaling 68 high-quality tankers, with an average age of 7.8 years. The new company is expected to be listed on the New York Stock Exchange.

The Transaction is valued on a NAV-to-NAV basis with CPLP unitholders receiving \$23 million in consideration in the form of approximately 3% incremental ownership in Diamond S Shipping Inc. Upon the consummation of the Transaction, CPLP unitholders will own approximately 33% of Diamond S Shipping Inc. (subject to closing adjustments), implying an approximately \$1.82 equity value per CPLP unit at NAV as at September 30, 2018 and will continue to hold their CPLP units.

The Transaction will realign CPLP with a modern containership asset base operating under medium- to long-term charters with 5.2 years of revenue weighted remaining charter duration, thus enhancing cash flow visibility for CPLP unitholders. CPLP will continue to maintain a strong balance sheet, as part of the debt proceeds raised by DSS for the acquisition of the CPLP tankers will be used to fully redeem the CPLP Class B Unit series outstanding at 100% of its redemption value (\$116.8 million) and to reduce the Partnership's indebtedness to \$290.0 million or less compared to \$445.9 million as of December 31, 2018.

The Transaction's close, which is expected by the end of the first quarter of 2019, is subject to certain conditions, including the effectiveness of Diamond S Shipping Inc.'s registration statement, the approval of Diamond S Shipping Inc.'s listing application, the ability of Diamond S and CPLP to draw the amounts required to consummate the Transaction under their respective committed debt financing and the consent of CPLP's banks to the partial prepayment

and amendment of CPLP's existing credit facilities. The Transaction does not require a vote of the holders of CPLP's common units.

Athena Spinco Inc. (to be called Diamond S Shipping Inc.) has filed a preliminary joint Form 10 / information statement with the U.S. Securities and Exchange Commission, which is available on the Partnership's website. Please refer to the joint Form 10 / information statement for further information.

### **Sustainable Distribution**

- The Partnership's common unit distribution for the fourth quarter of 2018 was \$0.045 per common unit.
- The common unit distribution coverage for the three - month period ended December 31, 2018 was 2.9 x after accounting for Class B distributions and the capital reserve.
- Strong balance sheet with net debt to capitalization ratio at 30.0 % as at the end of the fourth quarter of 2018.
- Long-term distributable cash flow growth is enhanced by the Partnership's commitment to an accretive growth strategy as it builds on its financial flexibility. The Partnership has the option to grow its fleet further with four modern eco MR (Medium Range) product tankers from its Sponsor, on which CPLP has a right of first refusal, as well as other tanker and container tonnage.

### **Modern High Specification Fleet**

- The CPLP fleet currently consists of thirty-six high specification vessels: three Suezmax crude oil tankers, one Aframax crude oil tanker, twenty-one modern MR product tankers, all of which are classed as IMO II/III vessels, ten Neo Panamax container carrier vessels and one Capesize bulk carrier.
- The average age of the CPLP fleet (weighted by dwt) is 8.5 years (as of December 31, 2018). Its thirteen Ice Class 1A MR chemical/product tankers represent one of the largest such fleets in the world.
- CPLP vessels have been designed and equipped to the highest specification and are compliant with current regulatory requirements.
- The International Maritime Organization (IMO) new regulations, effective January 1, 2020, will limit the sulfur in fuel used by ships to 0.5% from 3.5%.

In consideration of these new regulations, the Partnership announced a plan to equip part of its fleet with exhaust gas cleaning systems ("EGCS"), also known as scrubbers, on up to 14 of its larger vessels, comprising ten containerships, three crude tankers and one bulk carrier. The final decision to install the scrubbers will depend on the charter profile and type of vessel. The installation of the scrubbers is expected to be completed throughout 2019 and 2020.

### **Fleet Employment -- Visible & Stable Cash Flows**

- CPLP vessels are chartered under medium- to long-term, fixed-rate time and bareboat charters with reputable counterparties worldwide including oil majors, traders, operators and liner companies. Over the years, CPLP vessels have secured long term employment among others with Andeavor, BP Shipping, Cargill, Petrobras, Repsol, Shell, Total, CMA-CGM, HMM, Maersk Lines, MSC and COSCO.
- CPLP vessel charters have an average revenue weighted remaining term of 4.6 years (as of December 31, 2018), with staggered expirations. The Partnership's charter coverage for 2019 is at 65% (as of December 31, 2018).

### **Strong Sponsor Qualified for Long-Term Charter Business with Oil Majors**

- CPLP's sponsor, Capital Maritime & Trading Corp. ("Capital Maritime"), is a large, financially strong and diversified shipping company with a long, successful track record.
- Capital Maritime owns a 16.3% stake in the Partnership (as of January 31, 2019).
- Capital Maritime has an extensive network of relationships with oil majors, traders, liners and other major charterers.
- CPLP has entered into management agreements with Capital Ship Management Corp. that provides commercial and technical management for all of its vessels.

CSM manages the CPLP fleet and has passed rigorous operational, safety and environmental audits. CSM is one of a handful of shipping companies qualified to enter into long-term charters with oil majors. Its numerous accreditations and accolades include the: "Green Environmental Achievement Award" 2014 by the Port of Long Beach in Southern California; QualShip 21 awards in 2014 & 2015, repeated Amver Awards and the Amver 'Special Rescue Award' 2014 by the U.S. Coast Guard; "Tanker Company of the Year 2009" Lloyd's List Greek Shipping Award.

- CSM has a Safety Management System in compliance with the IMO's ISM code, the Quality Assurance Standard ISO 9001, the Environmental Management Standard ISO 14001, the Occupational Health & Safety Management System ("OHSAS") 18001 and the Energy Management System ISO 50001. All certified by the Lloyd's Register of Shipping.
- CSM was the first company worldwide in 2014 to receive independent verification and certification by Lloyds Register of Shipping for its business strategy in accordance with the "IMO Strategic Concept of a Sustainable Shipping Industry". CSM has established a task force to implement specific actions addressing Sustainability.

### **Growth Strategy & Financial Strength**

- CPLP maintains a strong balance sheet and capital structure with net debt/capitalization of 30.00% and Partners' capital representing 63.6% of the balance sheet (as of December 31, 2018).
- In October 2017, CPLP successfully completed the refinancing of substantially all of its indebtedness by concluding a new \$460 million credit facility (the "2017 credit facility") and the prepayment of \$116.2 million in cash. The refinancing allowed CPLP to address all of its near-term bullet payments and gives its unitholders enhanced visibility on the Partnership's financial position, as the 2017 credit facility only matures in the fourth quarter of 2023. As

of, December 31, 2018, CPLP's total debt amounted to \$445.9 million in total corresponding to a decrease of \$29.9 million compared to \$475.8 million as of December 31, 2017.

- Quarterly capital reserve in place intended to address our principal amortization requirements. For the fourth quarter of 2018, we allocated \$13.6 million to the capital reserve, in line with the previous quarter.
- Following the consummation of the spin-off of our Crude and Product Tanker Business and depending on our access to the financial markets, our objective is to pursue additional accretive transactions going forward and expand our asset base, with a view to further increasing the long-term distributable cash flow of the Partnership.

(Last updated December 31, 2018)

Income Statement Highlights (\$mil. except per unit amounts)
4th Quarter 2018
Total Revenues \$74.8
Net Income \$13.2
Operating Surplus (Prior To Capital Reserve and Class B Preferred Units Distributions) \$33.4
Quarterly Cash Distribution Per Common Unit \$0.045
(Last updated December 31, 2018)
<b>Condensed Balance Sheet (\$mil.)</b>
Total Assets \$1,385.2
Total Long-Term Liabilities \$388.8
Total Partners' Capital \$881.3

Stock Exchange Listing
Listed: NASDAQ Global Select Market
Symbol: CPLP
As of January 31, 2019:
Unit Price: \$2.25
Total Partnership Units Outstanding:
127,246,692 Common Units
12,983,333 Class B Units
2,439,989 GP Units
Market Capitalization: \$291.9

Analyst Coverage
Chris Snyder, Deutsche Bank
Espen L. Fjermestad, Fearnley Securities
Randy Giveans, Jefferies
Benjamin Brownlow, Raymond James
Ben Nolan, Stifel Nicolaus
Luke Vernon, UBS Investment Research
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#### Investor Relations Contact

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Auditors

Deloitte Certified Public Accountants S.A.

Transfer Agent

Computershare

#### Fleet Development

**Vessel Type IPO, 4/2007 December 2014 January 2019**

Capesize Dry Cargo -11

Suezmax Tankers - 4 3

Aframax Tanker - 1

Neo-Panamax Containers - 7 10

MR Chemical Product Tankers 8 18  
21

Operating Vessels 8 30 36

**Total DWT 327,307 2,136,307  
2,595,785**