SunCoke Energy Partners, L.P.
Form 10-Q
October 28, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-35782

SUNCOKE ENERGY PARTNERS, L.P.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	35-2451470 (I.R.S. Employer Identification No.)

1011 Warrenville Road, Suite 600
Lisle, Illinois 60532
(630) 824-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) of 1934. Yes ¨ No ý

The registrant had 21,693,160 common units and 15,709,697 subordinated units outstanding at October 24, 2014.

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PART I - FINANCIAL INFORMATION

Item 1. Combined and Consolidated Financial Statements

SunCoke Energy Partners, L.P.

Combined and Consolidated Statements of Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars and units in millions, except per unit amounts)			
Revenues				
Sales and other operating revenue	$158.7	$162.0	$480.8	$514.6
Costs and operating expenses				
Cost of products sold and operating expenses	115.3	118.9	353.5	383.3
Selling, general and administrative expenses	5.1	7.4	16.4	16.5
Depreciation and amortization expense	10.2	8.3	30.1	23.5
Total costs and operating expenses	130.6	134.6	400.0	423.3
Operating income	28.1	27.4	80.8	91.3
Interest expense, net	6.8	2.8	30.1	12.3
Income before income tax expense	21.3	24.6	50.7	79.0
Income tax expense	0.5	0.1	1.0	4.2
Net income	20.8	24.5	49.7	74.8
Less: Net income attributable to noncontrolling interests	0.6	10.8	15.1	30.0
Net income attributable to SunCoke Energy Partners, L.P./Predecessor	20.2	13.7	34.6	44.8
Less: Predecessor net income prior to initial public offering on January 24, 2013	—	—	—	3.5
Net income attributable to SunCoke Energy Partners, L.P. subsequent to initial public offering	$20.2	$13.7	$34.6	$41.3
General partner's interest in net income	$0.7	$0.3	$1.4	$0.9
Limited partners' interest in net income	$19.5	$13.4	$33.2	$40.4
Net income per common unit (basic and diluted)	$0.52	$0.43	$1.01	$1.29
Net income per subordinated unit (basic and diluted)	$0.52	$0.43	$0.89	$1.29
Weighted average common units outstanding (basic and diluted)	21.7	15.7	19.0	15.7
Weighted average subordinated units outstanding (basic and diluted)	15.7	15.7	15.7	15.7
Cash distribution per unit paid during period	$0.5150	$0.4225	$1.4900	$0.7296

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Consolidated Balance Sheets

	September 30, 2014 (Unaudited)	December 31, 2013
	(Dollars in millions)	
Assets		
Cash and cash equivalents	$26.9	$46.3
Receivables	26.2	20.2
Receivables from affiliates, net	0.8	6.4
Inventories	71.2	59.3
Other current assets	2.0	1.7
Total current assets	127.1	133.9
Properties, plants and equipment, net	894.3	871.1
Goodwill and other intangible assets, net	15.3	16.0
Deferred charges and other assets	14.1	6.5
Total assets	$1,050.8	$1,027.5
Liabilities and Equity		
Accounts payable	$46.7	$58.7
Accrued liabilities	6.5	6.4
Short-term debt	—	40.0
Interest payable	4.9	4.6
Total current liabilities	58.1	109.7
Long-term debt	412.0	149.7
Deferred income taxes	3.7	2.8
Other deferred credits and liabilities	1.1	0.6
Total liabilities	474.9	262.8
Equity		
Held by public:		
Common units (issued and outstanding 16,788,408 and 13,503,456 units at September 30, 2014 and December 31, 2013, respectively)	238.8	240.8
Held by parent:		
Common units (issued and outstanding 4,904,752 and 2,209,697 units at September 30, 2014 and December 31, 2013, respectively)	113.8	41.0
Subordinated units (issued and outstanding 15,709,697 units at September 30, 2014 and December 31, 2013)	203.4	290.4
General partner interest (2% interest)	8.9	8.3
Partners' capital attributable to SunCoke Energy Partners, L.P.	564.9	580.5
Noncontrolling interest	11.0	184.2
Total equity	575.9	764.7
Total liabilities and partners' net equity	$1,050.8	$1,027.5

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Combined and Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2014	2013
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net income	$49.7	$74.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	30.1	23.5
Deferred income tax expense	0.9	3.9
Loss on debt extinguishment	15.4	—
Changes in working capital pertaining to operating activities:		
Receivables	(6.0)	(33.2)
Receivables from affiliate, net	5.6	—
Inventories	(11.9)	8.0
Accounts payable	(12.0)	—
Accrued liabilities	0.1	(13.5)
Interest payable	0.3	1.8
Other	(0.7)	4.4
Net cash provided by operating activities	71.5	69.7
Cash Flows from Investing Activities:		
Capital expenditures	(53.1)	(20.4)
Acquisition of business	—	(28.6)
Net cash used in investing activities	(53.1)	(49.0)
Cash Flows from Financing Activities:		
Proceeds from issuance of common units of SunCoke Energy Partners, L.P., net of offering costs	90.5	231.8
Proceeds from issuance of long-term debt	268.1	150.0
Repayment of long-term debt, including market premium	(276.3)	(225.0)
Debt issuance costs	(5.8)	(6.8)
Proceeds from revolving credit facility	40.0	—
Repayment of revolving facility	(80.0)	—
Distributions to unitholders (public and parent)	(54.2)	(23.3)
Distributions to noncontrolling interest (SunCoke Energy, Inc.)	(20.4)	(69.5)
Capital contributions from SunCoke Energy Partners GP LLC	0.3	0.6
Net cash (used in) provided by financing activities	(37.8)	57.8
Net (decrease) increase in cash and cash equivalents	(19.4)	78.5
Cash and cash equivalents at beginning of period	46.3	—
Cash and cash equivalents at end of period	$26.9	$78.5

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Consolidated Statement of Equity
(Unaudited)

	Common - Public	Common - SunCoke	Subordinated - SunCoke	General Partner - SunCoke	Noncontrolling Interest	Total
	(Dollars in millions)					
At December 31, 2013	$240.8	$41.0	$ 290.4	$8.3	$ 184.2	$764.7
Partnership net income	14.6	3.6	15.0	1.4	15.1	49.7
Distribution to unitholders	(23.4)	(6.0)	(23.4)	(1.4)	—	(54.2)
Distributions to noncontrolling interest	—	—	—	—	(17.0)	(17.0)
Proceeds from equity issuance to public unitholders	90.5	—	—	—	—	90.5
Acquisition of additional interest in Haverhill and Middletown:						
Issuances of units	—	80.0	—	3.3	—	83.3
Cash payment	(1.6)	(0.2)	(1.5)	(0.1)	—	(3.4)
Adjustments to equity related to the acquisition	(82.1)	(4.6)	(77.1)	(2.9)	(171.3)	(338.0)
Capital contribution	—	—	—	0.3	—	0.3
At September 30, 2014	$238.8	$113.8	$ 203.4	$8.9	$ 11.0	$575.9

(See Accompanying Notes)
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SunCoke Energy Partners, L.P.
Notes to the Combined and Consolidated Financial Statements
1. General
Description of Business
SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us"), is a Delaware limited partnership formed in July 2012 which primarily manufactures coke used in the blast furnace production of steel. On January 24, 2013, we completed the initial public offering ("IPO") of our common units representing limited partner interests. In connection with the IPO, we acquired from SunCoke Energy, Inc. ("SunCoke"), a 65.0 percent interest in each of Haverhill Coke Company LLC ("Haverhill") and Middletown Coke Company, LLC ("Middletown") and the cokemaking facilities and related assets held by Haverhill and Middletown. On May 9, 2014, we completed the acquisition of an additional 33.0 percent interest in the Haverhill and Middletown cokemaking facilities. See Note 2. At September 30, 2014, SunCoke, through its subsidiary, owns a 54.0 percent partnership interest in us and all of our incentive distribution rights and indirectly owns and controls our general partner, which holds a 2.0 percent general partner interest in us. During 2013, we expanded our operations into coal handling and blending services through two acquisitions. On August 30, 2013, the Partnership completed its acquisition of Lakeshore Coal Handling Corporation ("Lake Terminal"). Located in East Chicago, Indiana, Lake Terminal provides coal handling and blending services to SunCoke's Indiana Harbor cokemaking operations. On October 1, 2013, the Partnership acquired Kanawha River Terminals ("KRT"). KRT is a leading metallurgical and thermal coal blending and handling terminal service provider with collective capacity to blend and transload 30 million tons of coal annually through its operations in West Virginia and Kentucky.
Basis of Presentation
The accompanying unaudited combined and consolidated financial statements included herein have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") for interim reporting. Certain information and disclosures normally included in financial statements have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In management’s opinion, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. The results of operations for the period ended September 30, 2014 are not necessarily indicative of the operating results for the full year. These unaudited interim combined and consolidated financial statements and notes should be read in conjunction with the audited combined and consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.
The combined financial statements for periods prior to the IPO are the results of SunCoke Energy Partners' Predecessor (the "Predecessor") and were prepared using SunCoke's historical basis in the assets and liabilities of the Predecessor, and include all revenues, costs, assets and liabilities attributed to the Predecessor after the elimination of all significant intercompany accounts and transactions. The consolidated financial statements for the period after the IPO pertain to the operations of the Partnership.
New Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which provides guidance for revenue recognition. Under this ASU, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently reviewing the provisions of ASU 2014-09 but does not expect it to have a material effect on the Company's financial condition, results of operations, or cash flows.
In April 2014, FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and

requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. It is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted. The application of this guidance is prospective from the date of adoption and applies only to disposals (or new classifications to held for sale) that have not been reported as discontinued operations in previously issued financial statements. The Company does not expect this ASU to have a material effect on the Company's financial condition, results of operations, or cash flows.

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In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern". This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. It is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect it to have a material effect on the Company's financial condition, results of operations, and cash flows.

2. Acquisition

On May 9, 2014, we completed the acquisition of an additional 33.0 percent interest in the Haverhill and Middletown cokemaking facilities for total consideration of $365.0 million (the "Drop-Down"). The terms of the contribution agreement and the acquisition of the interests in Haverhill and Middletown were approved by the conflicts committee of our general partner’s Board of Directors, which consists entirely of independent directors.

The results of the Haverhill and Middletown operations are consolidated in the combined and consolidated financial statements of the Partnership for all periods presented and any interest in the Haverhill and Middletown operations retained by Sun Coal & Coke is recorded as a noncontrolling interest of the Partnership. Sun Coal & Coke retained a 35.0 percent interest in Haverhill and Middletown prior to the Drop-Down and a 2.0 percent interest in Haverhill and Middletown subsequent to the Drop-Down. We accounted for the Drop-Down as an equity transaction, which resulted in a $171.3 million reduction to noncontrolling interest for the additional 33.0 percent interest acquired by the Partnership. Partnership equity was decreased for the difference between the consideration discussed below and the $171.3 million of noncontrolling interest acquired.

Total consideration for the Drop-Down included $3.4 million of cash to SunCoke, 2.7 million common units totaling $80.0 million issued to SunCoke and $3.3 million of general partner interests issued to SunCoke. We retained $7.0 million of the consideration to pre-fund SunCoke’s obligation to indemnify us for the anticipated cost of the environmental remediation project at Haverhill, which did not impact Partnership equity. In addition, we assumed and repaid approximately $271.3 million of outstanding SunCoke debt and other liabilities, which includes a market premium of $11.4 million to complete the tender of certain debt. The market premium was included in Partnership net income. In conjunction with the assumption of this debt, the Partnership also assumed the related debt issuance costs and debt discount, which were included in the adjustments to equity related to the acquisition in the Consolidated Statement of Equity.

We funded the Drop-Down with $88.7 million of net proceeds from the sale of 3.2 million common units to the public, which was completed on April 30, 2014, and approximately $263.1 million of gross proceeds from the issuance of $250.0 million aggregate principal amount of 7.375 percent Partnership Notes due in 2020 through a private placement on May 9, 2014. In conjunction with the new senior notes, the Partnership incurred debt issuance costs of $4.9 million, $0.9 million of which was considered a modification of debt and was included in other operating cash flows in the Combined and Consolidated Statement of Cash Flows with the remainder included in financing cash flows. In addition, the Partnership received $5.0 million to fund interest from February 1, 2014 to May 9, 2014, the period prior to the issuance. This interest was paid to noteholders on August 1, 2014.

As Haverhill and Middletown were consolidated both prior to and subsequent to the Drop-Down, the only impact on our Combined and Consolidated Statement of Cash Flows was the related financing activities discussed above.

In conjunction with the closing of the Drop-Down, the Partnership also increased its revolving credit facility by an additional $100.0 million to $250.0 million and extended its maturity date from January 2018 to May 2019. The Partnership paid $1.8 million in fees related to the Revolver amendment, which were included in financing cash flows in the Combined and Consolidated Statement of Cash Flows. See Note 7.

The table below summarizes the effects of the changes in the Partnership’s ownership interest in Haverhill and Middletown on the Partnership’s equity.

	Three months ended	Nine months ended
	September 30, 2014	
	(Dollars in millions)	
Net income attributable to SunCoke Energy Partners, L.P.	$20.2	$34.6
	—	(170.1)

Change in SunCoke Energy Partners, L.P. partnership equity for the purchase of an additional 33.0 percent interest in Haverhill and Middletown		
Change from net income attributable to SunCoke Energy Partners, L.P. and transfers to noncontrolling interest	$20.2	$(135.5)

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3. Related Party Transactions and Agreements

The related party transactions with SunCoke and its affiliates are described below.

Transactions with Affiliate

Coal Logistics provides coal handling and blending services to certain SunCoke cokemaking operations. During the three and nine months ended September 30, 2014, Coal Logistics recorded $3.6 million and $10.2 million in revenues, respectively, derived from services provided to SunCoke’s cokemaking operations. Coal Logistics recorded $1.0 million in revenues derived from services provided to SunCoke's cokemaking operations during both the three and nine months ended September 30, 2013. The Partnership also purchased coal and other services from SunCoke and its affiliates totaling $10.1 million and $27.0 million during the three and nine months ended September 30, 2014, respectively, and $5.9 million and $12.3 million during the three and nine months ended September 30, 2013, respectively. At September 30, 2014 net receivables with SunCoke and affiliates were $0.8 million and at December 31, 2013 net receivables with SunCoke and its affiliates were $6.4 million.

Allocated Expenses

SunCoke charges us for all direct costs and expenses incurred on our behalf and allocated costs associated with support services provided to our operations. Allocated expenses from SunCoke for general corporate and operations support costs totaled $4.7 million and $13.2 million for the three and nine months ended September 30, 2014, respectively, and $4.1 million and $12.2 million for the three and nine months ended September 30, 2013, respectively, and are included in selling, general and administrative expenses. These costs include legal, accounting, tax, treasury, engineering, information technology, insurance, employee benefit costs, communications, human resources, and procurement. Corporate allocations for periods subsequent to the IPO are recorded based upon the omnibus agreement. Corporate allocations were updated in the second quarter of 2014.

Omnibus Agreement

In connection with the closing of the IPO, we entered into an omnibus agreement with SunCoke and our general partner that addresses certain aspects of our relationship with them, including:

Business Opportunities. We have preferential rights to invest in, acquire and construct cokemaking facilities in the United States and Canada. SunCoke has preferential rights to all other business opportunities.

Potential Defaults by Coke Agreement Counterparties. For a period of five years from the closing date of the IPO, SunCoke has agreed to make us whole (including an obligation to pay for coke) to the extent (i) AK Steel exercises the early termination right provided in its Haverhill coke sales agreement, (ii) any customer fails to purchase coke or defaults in payment under its coke sales agreement (other than by reason of force majeure or our default) or (iii) we amend a coke sales agreement's terms to reduce a customer's purchase obligation as a result of the customer's financial distress. We and SunCoke will share in any damages and other amounts recovered from third parties arising from such events in proportion to our relative losses.

Environmental Indemnity. SunCoke will indemnify us to the full extent of any remediation at the Haverhill and Middletown cokemaking facilities arising from any environmental matter discovered and identified as requiring remediation prior to the closing of the IPO. SunCoke contributed $67.0 million in satisfaction of this obligation from the proceeds of the IPO and an additional $7.0 million from the Drop-Down transaction. If, prior to the fifth anniversary of the closing of the IPO, a pre-existing environmental matter that was discovered either before or after the closing of the IPO is identified as requiring remediation, SunCoke will indemnify us for up to $50.0 million of any such remediation costs (we will bear the first $5.0 million of any such costs).

Other Indemnification. SunCoke will fully indemnify us with respect to any tax liability arising prior to or in connection with the closing of the IPO. Additionally, SunCoke will either cure or fully indemnify us for losses resulting from any material title defects at the properties owned by the entities acquired in connection with the closing of the IPO, to the extent that those defects interfere with or could reasonably be expected to interfere with the operations of the related cokemaking facilities. We will indemnify SunCoke for events relating to our operations except to the extent that we are entitled to indemnification by SunCoke.

License. SunCoke has granted us a royalty-free license to use the name “SunCoke” and related marks. Additionally, SunCoke has granted us a non-exclusive right to use all of SunCoke's current and future cokemaking and related technology. We have not paid and will not pay a separate license fee for the rights we receive under the license.

Expenses and Reimbursement. SunCoke will continue to provide us with certain corporate and other services, and we will reimburse SunCoke for all direct costs and expenses incurred on our behalf and a portion of corporate and other costs and expenses attributable to our operations. Additionally, we paid all fees in connection with our senior notes offerings and our

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revolving credit facility and have agreed to pay all additional fees in connection with any future financing arrangement entered into for the purpose of replacing the credit facility or the senior notes.

So long as SunCoke controls our general partner, the omnibus agreement will remain in full force and effect unless mutually terminated by the parties. If SunCoke ceases to control our general partner, the omnibus agreement will terminate, but our rights to indemnification and use of SunCoke's existing cokemaking and related technology will survive. The omnibus agreement can be amended by written agreement of all parties to the agreement, but we may not agree to any amendment that would, in the reasonable discretion of our general partner, be adverse in any material respect to the holders of our common units without prior approval of the conflicts committee.

4. Cash Distributions and Net Income Per Unit

Cash Distributions

Our partnership agreement generally provides that we will make our distribution, if any, each quarter in the following manner:

- first, 98 percent to the holders of common units and 2 percent to our general partner, until each common unit has received the minimum quarterly distribution of $0.412500 plus any arrearages from prior quarters;
- second, 98 percent to the holders of subordinated units and 2 percent to our general partner, until each subordinated unit has received the minimum quarterly distribution of $0.412500; and
- third, 98 percent to all unitholders, pro rata, and 2 percent to our general partner, until each unit has received a distribution of $0.474375.

If cash distributions to our unitholders exceed $0.474375 per unit in any quarter, our unitholders and our general partner will receive distributions according to the following percentage allocations:

	Total Quarterly Distribution Per Unit Target Amount		Marginal Percentage Interest in Distributions	
			Unitholders	General Partner
Minimum Quarterly Distribution	$0.412500		98%	2%
First Target Distribution	above $0.412500	up to $0.474375	98%	2%
Second Target Distribution	above $0.474375	up to $0.515625	85%	15%
Third Target Distribution	above $0.515625	up to $0.618750	75%	25%
Thereafter	above $0.618750		50%	50%

In accordance with our partnership agreement, on April 21, 2014, we declared a quarterly cash distribution of $0.5000 per unit. This distribution was paid on May 30, 2014 to unitholders of record on May 15, 2014, which included equity issuances related to the Drop-Down, and totaled $19.2 million. On July 21, 2014, we declared a quarterly cash distribution of $0.5150 per unit. This distribution was paid on August 29, 2014 to unitholders of record on August 15, 2014 and totaled $19.8 million. On October 21, 2014 we declared a quarterly cash distribution of $0.5275 per unit. This distribution will be paid on November 28, 2014 to unitholders of record on November 14, 2014.

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The allocation of total quarterly cash distributions to general and limited partners based on the number of units is as follows. Our distributions are declared subsequent to quarter end; therefore, the table below represents total cash distributions applicable to the period in which the distributions were earned:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in millions, except per unit amounts)			
General partner's distributions:				
General partner's distributions	$0.3	$0.3	$0.9	$0.8
General partner's incentive distribution rights	0.4	—	0.8	—
Total general partner's distributions	0.7	0.3	1.7	0.8
Limited partners' distributions:				
Common	11.5	6.8	30.5	18.2
Subordinated	8.3	6.8	24.3	18.2
Total limited partners' distributions	19.8	13.6	54.8	36.4
Total Cash Distributions	$20.5	$13.9	$56.5	$37.2
Cash distributions per unit applicable to limited partners	$0.5275	$0.4325	$1.5425	$1.6210

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Earnings Per Unit

Our net income is allocated to the general partner and limited partners in accordance with their respective partnership percentages, after giving effect to priority income allocations for incentive distributions, if any, to our general partner, pursuant to our partnership agreement. Net income per unit is only calculated for the Partnership subsequent to the IPO as no units were outstanding prior to January 24, 2013. Distributions less than or greater than earnings are allocated in accordance with our partnership agreement. Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

In addition to the common and subordinated units, we have also identified the general partner interest and incentive distribution rights as participating securities and use the two-class method when calculating the net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Basic and diluted net income per unit applicable to limited partners are the same because we do not have any potentially dilutive units outstanding.

The calculation of earnings per unit is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars and units in millions, except per unit amounts)			
Net income attributable to partners	$20.2	$13.7	$34.6	$41.3
General partner's distributions (including incentive distribution rights)	0.7	0.3	1.7	0.8
Limited partners' distributions on common units	11.5	6.8	30.5	18.2
Limited partners' distributions on subordinated units	8.3	6.8	24.3	18.2
Distributions (greater than) less than earnings	(0.3)	(0.2)	(21.9)	4.1
General partner's earnings:				
Distributions (including incentive distribution rights)	0.7	0.3	1.7	0.8
Allocation of distributions (greater than) less than earnings	—	—	(0.4)	0.1
Total general partner's earnings	0.7	0.3	1.3	0.9
Limited partners' earnings on common units:				
Distributions	11.5	6.8	30.5	18.2
Allocation of distributions (greater than) less than earnings	(0.2)	(0.1)	(12.3)	2.0
Total limited partners' earnings on common units	11.3	6.7	18.2	20.2
Limited partners' earnings on subordinated units:				
Distributions	8.3	6.8	24.3	18.2
Allocation of distributions (greater than) less than earnings	(0.1)	(0.1)	(9.2)	2.0
Total limited partners' earnings on subordinated units	8.2	6.7	15.1	20.2
Weighted average limited partner units outstanding:				
Common - basic and diluted	21.7	15.7	19.0	15.7
Subordinated - basic and diluted	15.7	15.7	15.7	15.7
Net income per limited partner unit:				
Common - basic and diluted	$0.52	$0.43	$1.01	$1.29
Subordinated - basic and diluted	$0.52	$0.43	$0.89	$1.29

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Allocation of Net Income

The following is a summary of net income for the nine months ended September 30, 2014 and 2013 including a summary of net income disaggregated between the Predecessor and the Partnership nine months ended September 30, 2013:

	Nine Months Ended September 30,		SunCoke Energy Partners, L.P. Predecessor	SunCoke Energy Partners, L.P.
	2014	2013	Period from January 1, 2013 to January 23, 2013	Period from January 24, 2013 to September 30, 2013
Revenues	(Dollars in millions)			
Sales and other operating revenue	$480.8	$514.6	$47.6	$467.0
Costs and operating expenses				
Cost of products sold and operating expenses	353.5	383.3	36.8	346.5
Selling, general and administrative expenses	16.4	16.5	1.1	15.4
Depreciation and amortization expense	30.1	23.5	1.9	21.6
Total costs and operating expenses	400.0	423.3	39.8	383.5
Operating income	80.8	91.3	7.8	83.5
Interest expense, net	30.1	12.3	0.6	11.7
Income before income tax expense	50.7	79.0	7.2	71.8
Income tax expense	1.0	4.2	3.7	0.5
Net income	49.7	74.8	$3.5	$71.3
Less: Net income attributable to noncontrolling interests	15.1	30.0		
Net income attributable to SunCoke Energy Partners, L.P./Predecessor	34.6	44.8		
Less: Predecessor net income prior to initial public offering on January 24, 2013	—	3.5		
Net income attributable to SunCoke Energy Partners, L.P. subsequent to initial public offering	$34.6	$41.3		

Our partnership agreement contains provisions for the allocation of net income to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interest. Normal allocations according to percentage interests are made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100 percent to the general partner.

The calculation of net income allocated to the general and limited partners was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars and units in millions)			
Net income attributable to partners	$20.2	$13.7	$34.6	$41.3
General partner's incentive distribution rights	0.4	—	0.8	—
	19.8	13.7	33.8	41.3
General partner's ownership interest	2.0 %	2.0 %	2.0 %	2.0 %
General partner's allocated interest in net income	0.3	0.3	0.6	0.9
General partner's incentive distribution rights	0.4	—	0.8	—

Total general partner's interest in net income	$0.7	$0.3	$1.4	$0.9
Common - public unitholder's interest in net income	$8.7	$5.8	$14.6	$17.3
Common - SunCoke interest in net income	2.6	0.9	3.6	2.9
Subordinated - SunCoke interest in net income	8.2	6.7	15.0	20.2
Total limited partners' interest in net income	$19.5	$13.4	$33.2	$40.4

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5. Inventories

The components of inventories were as follows:

	September 30, 2014	December 31, 2013
	(Dollars in millions)	
Coal	$42.4	$33.1
Coke	6.1	4.1
Material, supplies, and other	22.7	22.1
Total inventories	$71.2	$59.3

6. Income Taxes

The Partnership is a limited partnership and generally is not subject to federal or state income taxes. Earnings from our Middletown operations, however, are subject to a local income tax. The Predecessor's tax provision was determined on a theoretical separate-return basis.

7. Debt

On May 9, 2014 in connection with the Drop-Down, the Partnership issued $250.0 million senior notes as additional notes under the indenture pursuant to which the Partnership issued $150.0 million senior notes on January 24, 2013 ("Partnership Notes"). The Partnership Notes bear interest at a rate of 7.375 percent per annum and will mature on February 1, 2020. Interest is payable semi-annually in arrears on February 1 and August 1 of each year. Proceeds of $263.1 million included an original issue premium of $13.1 million. In addition, the Partnership received $5.0 million to fund interest from February 1, 2014 to May 9, 2014, the period prior to the issuance. This interest was paid to noteholders on August 1, 2014. The Partnership incurred debt issuance costs of $4.9 million, of which $0.9 million was considered a modification of debt and was recorded in interest expense, net on the Consolidated Statement of Income and included in other operating cash flows in the Combined and Consolidated Statement of Cash Flows.

Furthermore, in connection with the Drop-Down, the Partnership assumed from SunCoke and repaid certain SunCoke debt and other liabilities totaling $271.3 million, including a market premium of $11.4 million to complete the tender of certain debt, which was included in interest expense, net on the Consolidated Statement of Income. The Partnership assumed $4.6 million in debt issuance costs and $0.6 million in original issue discount in connection with the assumption of this debt from SunCoke, $3.1 million of which related to the portion of the debt extinguished and was recorded in interest expense, net on the Consolidated Statement of Income.

Also, in connection with the Drop-Down, the Partnership repaid $40.0 million on the revolving credit facility (the "Partnership Revolver") and amended the Partnership Revolver to include (i) an increase in the total aggregate commitments from lenders from $150.0 million to $250.0 million and (ii) an extension of the maturity date from January 2018 to May 2019. The Partnership paid $1.8 million in fees related to the Revolver amendment, which are included in deferred charges and other assets in the Consolidated Balance Sheet. As of September 30, 2014, the Partnership had letters of credit outstanding of $0.7 million, leaving $249.3 million available.

The Partnership is subject to certain debt covenants that, among other things, limit the Partnership's ability and the ability of certain of the Partnership's subsidiaries to (i) incur indebtedness, (ii) pay dividends or make other distributions, (iii) prepay, redeem or repurchase certain debt, (iv) make loans and investments, (v) sell assets, (vi) incur liens, (vii) enter into transactions with affiliates and (viii) consolidate or merge. These covenants are subject to a number of exceptions and qualifications set forth in the respective agreements. Additionally, under the terms of the Partnership Revolver, the Partnership is subject to a maximum consolidated leverage ratio of 4.00 to 1.00, calculated by dividing total debt by EBITDA as defined by the Partnership Revolver, and a minimum consolidated interest coverage ratio of 2.50 to 1.00, calculated by dividing EBITDA by interest expense as defined by the Partnership Revolver. As of September 30, 2014, the Partnership was in compliance with all applicable debt covenants contained in the Partnership Revolver. We do not anticipate violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.

8. Commitments and Contingent Liabilities

The Environmental Protection Agency ("EPA") and state regulators have issued Notices of Violations ("NOVs") for the Partnership's Haverhill cokemaking facility which stem from alleged violations of the air emission operating permits for this facility. The Partnership is working in a cooperative manner with the EPA and the Ohio Environmental Protection Agency ("OEPA") to address the allegations and has lodged a Consent Decree in federal district court that is undergoing review. Settlement may require payment of a civil penalty for alleged past violations as well as the capital projects underway to

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improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill facility. Any potential penalty for alleged past violations will be paid by SunCoke.

Spending for these projects depends on the timing and finality of the settlement. We retained $74 million in proceeds from the Partnership offering and Drop-Down transaction for environmental capital expenditures related to these projects. Pursuant to the Omnibus Agreement between SunCoke and the Partnership, any amounts that we spend on these projects in excess of $74 million will be reimbursed by SunCoke. Prior to our formation, SunCoke spent approximately $5 million related to these projects. The Partnership has spent $66 million to date and expects to spend approximately $3 million in the remainder of 2014 and $6 million in 2015.

The Partnership is a party to certain other pending and threatened claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of these claims could be resolved unfavorably to the Partnership. Management of the Partnership believes that any liability which may arise from claims would not be material in relation to the financial position, results of operations or cash flows of the Partnership.

9. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2—inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At September 30, 2014, no material fair value adjustments or fair value measurements were required for these non-financial assets or liabilities.

Certain Financial Assets and Liabilities not Measured at Fair Value

At September 30, 2014, the estimated fair value of the Partnership's long-term debt was $417.6 million compared to a carrying amount of $412.0 million. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions which are considered Level 3 inputs.

10. Equity Distribution Agreement

On August 5, 2014, the Partnership entered into an Equity Distribution Agreement (the “Equity Agreement”) with Wells Fargo Securities, LLC (“Wells Fargo”). Pursuant to the terms of the Equity Agreement, the Partnership may sell from time to time through Wells Fargo, the Partnership’s common units representing limited partner interests having an aggregate offering price of up to $75.0 million. Sales of the common units, if any, will be made by means of ordinary brokers’ transactions through the facilities of the New York Stock Exchange at market prices, in block transactions, or as otherwise agreed by the Partnership and Wells Fargo, by means of any other existing trading market for the common units or to or through a market maker other than on an exchange. The common units will be issued pursuant to the Partnership’s existing effective shelf registration statement.

Under the terms of the Equity Agreement, the Partnership also may sell common units to Wells Fargo as principal for its own account at a price to be agreed upon at the time of sale. Any sale of common units to Wells Fargo as principal would be pursuant to the terms of a separate terms agreement between the Partnership and Wells Fargo.

During the quarter the Partnership sold 62,956 common units under the Equity Agreement with an aggregate offering price of $1.8 million, leaving $73.2 million available under the Equity Agreement.

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11. Business Segment Disclosures

The Partnership derives its revenues from the Domestic Coke and Coal Logistics reportable segments. Domestic Coke operations are comprised of Haverhill and Middletown cokemaking facilities located in Ohio. Both facilities use similar production processes to produce coke and to recover waste heat that is converted to either steam or electricity. Coke sales at each of the Partnership's cokemaking facilities are made pursuant to long-term take-or-pay agreements with ArcelorMittal and AK Steel. Each of the coke sales agreements contain pass-through provisions for costs incurred in the cokemaking process, including coal costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expenses, costs related to the transportation of coke to the customers, taxes (other than income taxes) and costs associated with changes in regulation, in addition to containing a fixed fee. In the prior year period, all corporate costs were included in the Domestic Coke segment as the Partnership had only one reportable segment.

Coal Logistics operations are comprised of Lake Terminal and KRT facilities located in Indiana and Kentucky, respectively. The Partnership acquired Lake Terminal on August 30, 2013 and KRT on October 1, 2013 and began providing coal handling and blending services. This business has a collective capacity to blend and transload more than 30 million tons of coal annually. Coal handling and blending services are provided to third party customers as well as SunCoke cokemaking facilities. Coal handling and blending results are presented in the Coal Logistics segment below.

Corporate and other expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other. Interest expense, net is also excluded from segment results. Segment assets are those assets that are utilized within a specific segment.

The following table includes Adjusted EBITDA, which is the measure of segment profit or loss reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in millions)			
Sales and other operating revenue:				
Domestic Coke	$146.5	$160.9	$442.6	$513.5
Coal Logistics	12.2	1.1	38.2	1.1
Coal Logistics intersegment sales	1.4	—	3.5	—
Elimination of intersegment Sales	(1.4)	—	(3.5)	—
Total Sales and other operating revenue	$158.7	$162.0	$480.8	$514.6
Adjusted EBITDA:				
Domestic Coke	$36.0	$38.7	$105.7	$119.1
Coal Logistics	3.8	0.7	10.9	0.7
Corporate and Other	(1.5)	(3.7)	(5.7)	(5.6)
Total Adjusted EBITDA	$38.3	$35.7	$110.9	$114.2
Depreciation and amortization expense:				
Domestic Coke	$8.2	$8.1	$24.5	$23.3
Coal Logistics	2.0	0.2	5.6	0.2
Total Depreciation and amortization expense	$10.2	$8.3	$30.1	$23.5
Capital expenditures:				
Domestic Coke	$18.5	$9.9	$51.1	$20.4
Coal Logistics	1.2	—	2.0	—
Total Capital expenditures	$19.7	$9.9	$53.1	$20.4

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	September 30, 2014	December 31, 2013
	(Dollars in millions)	
Segment assets:		
Domestic Coke	$917.9	$884.2
Coal Logistics	118.7	120.6
Corporate and Other	14.2	22.7
Total Assets	$1,050.8	$1,027.5

The Partnership evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted for sales discounts. Prior to the expiration of our nonconventional fuel tax credits in June 2012, EBITDA reflected sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuel tax credits, which reduce our income tax expense. However, we believe our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses.

Management believes Adjusted EBITDA is an important measure of the operating performance of the Partnership's net assets and provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

Set forth below is additional detail as to how we use Adjusted EBITDA as a measure of operating performance, as well as a discussion of the limitations of Adjusted EBITDA as an analytical tool.

Operating Performance. Our management uses Adjusted EBITDA in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful to management in identifying trends in our performance. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance while neutralizing the impact of capital structure on financial results. Accordingly, we believe this metric measures our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

Limitations. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirement for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income attributable to noncontrolling interests.

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Below is a reconciliation of Adjusted EBITDA to its closest GAAP measure with disaggregated results for periods prior to and subsequent to the IPO:

	Three Months Ended September 30,		Nine Months Ended September 30,		SunCoke Energy Partners, L.P. Predecessor	SunCoke Energy Partners, L.P.
	2014	2013	2014	2013	Period from January 1, 2013 to January 23, 2013	Period from January 24, 2013 to September 30, 2013
	(Dollars in millions)					
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P./Predecessor	$37.6	$22.1	$92.0	$75.9	$9.7	$66.2
Add: Adjusted EBITDA attributable to noncontrolling interest[1]	0.7	13.6	18.9	38.3	—	38.3
Adjusted EBITDA	$38.3	$35.7	$110.9	$114.2	$9.7	$104.5
Subtract:						
Depreciation and amortization expense	10.2	8.3	30.1	23.5	1.9	21.6
Interest expense, net	6.8	2.8	30.1	12.3	0.6	11.7
Income tax expense	0.5	0.1	1.0	4.2	3.7	0.5
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits[2]	—	—	—	(0.6)	—	(0.6)
Net income	$20.8	$24.5	$49.7	$74.8	$3.5	$71.3

(1) Reflects net income attributable to noncontrolling interest adjusted for noncontrolling interest share of interest, taxes, income, depreciation and amortization expense.

(2) At December 31, 2012, we had $12.4 million in accrued sales discounts to be paid to a customer at our Haverhill facility. During the first quarter of 2013, we settled this obligation for $11.8 million which resulted in a gain of $0.6 million. The gain was recorded in sales and other operating revenue on our Combined and Consolidated Statement of Income. Sales discounts are related to nonconventional fuel tax credits, which expired in 2012.

The following table sets forth the Partnership's total sales and other operating revenue by product or service excluding intersegment revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in millions)			
Cokemaking revenues	$135.2	$149.6	$407.6	$480.2
Energy revenues	11.3	11.3	35.0	33.3
Coal logistics revenues	12.2	1.1	38.2	1.1
Total revenues	$158.7	$162.0	$480.8	$514.6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain forward-looking statements of expected future developments, as defined in the Private Securities Litigation Reform Act of 1995. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under "Cautionary Statement Concerning Forward-Looking Statements."

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on financial data derived from the financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and certain other financial data that is prepared using non-GAAP measures. For a reconciliation of these non-GAAP measures to the most comparable GAAP components, see "Non-GAAP Financial Measures" at the end of this Item.

The following discussion assumes that our business was operated as a separate entity prior to the IPO. The entities that own our cokemaking facilities have been acquired as a reorganization of entities under common control and have therefore been recorded at historical cost. Unless the context otherwise requires, references in this report to "the Partnership," "we," "us," or like terms, when used in a historical context (periods prior to January 24, 2013), refer to the cokemaking operations of our Predecessor. References when used in the present tense or prospectively (after January 24, 2013) refer to SunCoke Energy Partners, L.P. and its subsidiaries.

Overview

SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us"), is a Delaware limited partnership formed in July 2012 which primarily manufactures coke used in the blast furnace production of steel. On January 24, 2013, we completed the initial public offering ("IPO") of our common units representing limited partner interests. In connection with the IPO, we acquired from SunCoke Energy, Inc. ("SunCoke"), a 65.0 percent interest in each of Haverhill Coke Company LLC ("Haverhill") and Middletown Coke Company, LLC ("Middletown") and the cokemaking facilities and related assets held by Haverhill and Middletown. On May 9, 2014, we completed the acquisition of an additional 33.0 percent interest in the Haverhill and Middletown cokemaking facilities for total consideration of $365.0 million. See Recent Developments discussion below. At September 30, 2014, SunCoke owns the remaining 2.0 percent interest in each of Haverhill and Middletown. SunCoke, through its subsidiary, owns a 54.0 percent partnership interest in us and all of our incentive distribution rights and indirectly owns and controls our general partner, which holds a 2.0 percent general partner interest in us.

All of our coke sales are made pursuant to long-term take-or-pay agreements. These coke sales agreements have an average remaining term of approximately 12 years and contain pass-through provisions for costs we incur in the cokemaking process, including coal procurement costs, subject to meeting contractual coal-to-coke yields, operating and maintenance expenses, costs related to the transportation of coke to our customers, taxes (other than income taxes) and costs associated with changes in regulation. The coke sales agreement and energy sales agreement with AK Steel at our Haverhill facility are subject to early termination by AK Steel beginning in January 2014 under limited circumstances and provided that AK Steel has given at least two years prior notice of its intention to terminate the agreements and certain other conditions are met. In addition, AK Steel is required to pay a significant termination payment to us if it exercises its termination right prior to 2019. No other coke sales contract has an early termination clause. For a five year period following the IPO, SunCoke has agreed to make us whole or purchase all of our coke production not taken by our customers in the event of a customer's default or exercise of certain termination rights, under the same terms as those provided for in the coke sales agreements with our customers.

The following table sets forth information about our cokemaking facilities and our coke and energy sales agreements:

Facility	Location	Coke Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Annual Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Haverhill 1	Franklin Furnace, Ohio	ArcelorMittal	2005	2020	100	550	Process steam

Haverhill 2	Franklin Furnace, Ohio	AK Steel	2008	2022	100	550	Power generation
Middletown[(1)]	Middletown, Ohio	AK Steel	2011	2032	100	550	Power generation
Total					300	1,650	

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(1) Cokemaking capacity represents stated capacity for the production of blast furnace coke. The Middletown coke sales agreement provides for coke sales on a "run of oven" basis, which includes both blast furnace coke and small coke. Middletown capacity on a "run of oven" basis is 578 thousand tons per year.

Our business strategy has evolved to include the expansion of our operations into adjacent business lines within the steelmaking value chain. During 2013, we expanded our operations into coal handling and blending services through two acquisitions. On August 30, 2013, the Partnership completed its acquisition of Lakeshore Coal Handling Corporation ("Lake Terminal"). Located in East Chicago, Indiana, Lake Terminal provides coal handling and blending services to SunCoke's Indiana Harbor cokemaking operations. On October 1, 2013, the Partnership acquired Kanawha River Terminals ("KRT"). KRT is a leading metallurgical and thermal coal blending and handling terminal service provider with collective capacity to blend and transload 30 million tons of coal annually through its operations in West Virginia and Kentucky. Coal is transported from the mine site in numerous ways, including rail, truck, barge or ship. Our coal terminals act as intermediaries between coal producers and coal end users by providing transloading, storage and blending services. We do not take possession of coal in our Coal Logistics business, but instead derive our revenue by providing coal handling and blending services to our customers on a per ton basis. Our coal blending and handling services are provided to steel, coke (including some of our and SunCoke's domestic cokemaking facilities), electric utility and coal producing customers.

Further, we are exploring opportunities for entry into the ferrous segments of the steel value chain, such as iron ore concentration and pelletizing and direct reduced iron production ("DRI"). We received a favorable IRS private letter ruling for DRI in the second quarter of 2014. DRI, an alternative method of ironmaking is used today in conventional blast furnaces and electric arc furnaces. The capital investment required to build DRI plants is low compared to integrated steel plants and operating costs can be favorable if low cost energy supplies are available. We believe there is additional demand for DRI capacity in the U.S., driven in part by the available supply of low cost natural gas.

Organized in Delaware in July 2012, and headquartered in Lisle, Illinois, we are a master limited partnership whose common units, representing limited partnership interests, were first listed for trading on the New York Stock Exchange ("NYSE") in January 2013 under the symbol "SXCP."

Recent Developments

• Cokemaking Drop-Down acquisition and related financing transactions

On May 9, 2014, we completed the acquisition of an additional 33.0 percent interest in the Haverhill and Middletown cokemaking facilities for total consideration of $365.0 million (the "Drop-Down"). The terms of the contribution agreement and the acquisition of the interests in Haverhill and Middletown were approved by the conflicts committee of our general partner's Board of Directors, which consists entirely of independent directors.

The results of the Haverhill and Middletown operations are consolidated in the combined and consolidated financial statements of the Partnership for all periods presented and any interest in the Haverhill and Middletown operations retained by Sun Coal & Coke is recorded as a noncontrolling interest of the Partnership. Sun Coal & Coke retained a 35.0 percent interest in Haverhill and Middletown prior to the Drop-Down and a 2.0 percent interest in Haverhill and Middletown subsequent to the Drop-Down.

Total consideration for the Drop-Down included $3.4 million of cash to SunCoke, 2.7 million common units totaling $80.0 million issued to SunCoke and $3.3 million of general partner interests issued to SunCoke. We retained $7.0 million of the consideration to pre-fund SunCoke's obligation to indemnify us for the anticipated cost of the environmental remediation project at Haverhill, which did not impact Partnership equity. In addition, we assumed and repaid approximately $271.3 million of outstanding SunCoke debt and other liabilities, which includes a market premium of $11.4 million to complete the tender of certain debt. The market premium was included in Partnership net income. In conjunction with the assumption of this debt, the Partnership also assumed the related debt issuance costs and debt discount, which were included in the adjustments to equity related to the acquisition in the Consolidated Statement of Equity.

We funded the Drop-Down with $88.7 million of net proceeds from the sale of 3.2 million common units to the public, which was completed on April 30, 2014, and approximately $263.1 million of gross proceeds from the issuance of $250.0 million aggregate principal amount of 7.375 percent Partnership Notes due in 2020 through a private placement on May 9, 2014. In addition, the Partnership received $5.0 million to fund interest from February 1,

2014 to May 9, 2014, the period prior to the issuance. This interest was paid to noteholders on August 1, 2014.
In conjunction with the closing of the Drop-Down, the Partnership also increased its revolving credit facility by an additional $100.0 million to $250.0 million and extended its maturity date from January 2018 to May 2019.

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Haverhill and Middletown were consolidated both prior to and subsequent to the Drop-Down. The Consolidated Statement of Income includes $18.9 million of costs related to the Drop-Down recorded during the second quarter of 2014, including the $11.4 million market premium to tender of certain debt, $4.0 million of debt extinguishment costs, $0.8 million of transaction costs and $2.7 million of incremental interest expense related to the notes issuance. An additional $4.6 million of incremental interest expense was recorded during the third quarter of 2014.

The additional interest in the Haverhill and Middletown cokemaking facilities we acquired under the Drop-Down is expected to generate on an annual basis Adjusted EBITDA attributable to unitholders of approximately $44 million, net of additional allocated corporate costs.

- Equity Distribution Agreement

On August 5, 2014, the Partnership entered into an Equity Distribution Agreement (the “Equity Agreement”) with Wells Fargo Securities, LLC (“Wells Fargo”). Pursuant to the terms of the Equity Agreement, the Partnership may sell from time to time through Wells Fargo, the Partnership’s common units representing limited partner interests having an aggregate offering price of up to $75.0 million. Sales of the common units, if any, will be made by means of ordinary brokers’ transactions through the facilities of the New York Stock Exchange at market prices, in block transactions, or as otherwise agreed by the Partnership and Wells Fargo, by means of any other existing trading market for the common units or to or through a market maker other than on an exchange. The common units will be issued pursuant to the Partnership’s existing effective shelf registration statement.

Under the terms of the Equity Agreement, the Partnership also may sell common units to Wells Fargo as principal for its own account at a price to be agreed upon at the time of sale. Any sale of common units to Wells Fargo as principal would be pursuant to the terms of a separate terms agreement between the Partnership and Wells Fargo. The Partnership intends to use the net proceeds from any sales pursuant to the Equity Agreement, after deducting Wells Fargo’s commissions and the Partnership’s offering expenses, for general partnership purposes, which may include repaying or refinancing all or a portion of the Partnership’s outstanding indebtedness and funding working capital, capital expenditures or acquisitions.

During the quarter the Partnership sold 62,956 common units under the Equity Agreement with an aggregate offering price of $1.8 million, leaving $73.2 million available under the Equity Agreement.

Third Quarter Key Financial Results

- Total revenues decreased $3.3 million, or 2.0 percent, to $158.7 million in the three months ended September 30, 2014 primarily due to the pass-through of lower coal prices and lower coke sales volumes in our Domestic Coke segment partially offset by $11.1 million of additional revenues from our Coal Logistics segment acquired during the second half of 2014.
- Net income attributable to unitholders increased $6.5 million for the three months ended September 30, 2014, to $20.2 million compared with the three months ended September 30, 2013. This increase is mainly attributable to the increased ownership interest in our cokemaking facilities and the contribution of the Coal Logistics segment.
- Adjusted EBITDA was $38.3 million in the third quarter of 2014 compared to $35.7 million for the same period in 2013. The increase in Adjusted EBITDA of $2.6 million was driven primarily by the increase in the Coal Logistics segment Adjusted EBITDA of $3.1 million, offset by lower volumes in our cokemaking operations.

Items Impacting Comparability

- Coal Logistics. On August 30 and October 1, 2013, the Partnership acquired Lake Terminal and KRT, respectively. The results of these newly acquired facilities have been included in the Consolidated Financial Statements since the dates of acquisition and are presented in the Coal Logistics segment. Coal Logistics reported revenues of $13.6 million for the three months ended September 30, 2014, of which $1.4 million were intercompany revenues, and $41.7 million for the nine months ended September 30, 2014, of which $3.5 million were intercompany. Adjusted EBITDA was $3.8 million and $10.9 million and Adjusted EBITDA per ton handled was $0.80 and $0.74 for the three and nine months ended September 30, 2014, respectively. During both the three and nine months ended September 30, 2013, Coal Logistics included only one month of operations at Lake Terminal resulting in revenues of $1.1 million and Adjusted EBITDA of $0.7 million.
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Interest Expense, net. Interest expense, net was $6.8 million and $2.8 million for the three months ended September 30, 2014 and 2013, respectively, and $30.1 million and $12.3 million for the nine months ended September 30, 2014 and 2013, respectively. The third quarter of 2014 was impacted by interest expense on the

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additional Partnership Notes. The nine months ended September 30, 2014 was impacted by debt extinguishment costs of $15.4 million, which included an $11.4 million market premium to tender the senior notes, as well as interest expense on the additional Partnership Notes. The first quarter of 2013 was also impacted by debt restructuring costs of $0.8 million related to the portion of the term loan extinguished in conjunction with the IPO as well as the issuance of $150.0 million of senior notes.

In addition, interest expense, net during the three and nine months ended September 30, 2014 included $1.0 million and $2.6 million, respectively, of interest capitalized in connection with the environmental remediation project at Haverhill. In the three and nine months ended September 30, 2013, capitalized interest amounted to $0.4 million and $0.7 million, respectively.

- Income Tax Expense. Income tax expense decreased $3.2 million to $1.0 million for the nine months ended September 30, 2014, compared to $4.2 million for the corresponding period of 2013. Following the IPO, the Partnership is not subject to federal or state income taxes. Earnings from our Middletown operations, however, are subject to a local income tax, which is reflected in both periods. The nine months ended September 30, 2013 included additional expense of $0.6 million related to prior period adjustments associated with local income taxes due for our Middletown operations and a $0.3 million adjustment to our valuation allowance associated with a local income tax net operating loss carryforward. We do not expect local income tax to affect our cash distribution as we do not expect to pay cash taxes until 2017.
- Noncontrolling Interest. Net Income attributable to noncontrolling interest was $0.6 million and $10.8 million for the three months ended September 30, 2014 and 2013, respectively and was $15.1 million and $30.0 million for the nine months ended September 30, 2014 and 2013, respectively. These decreases were primarily the result of the Drop-Down transaction on May 9, 2014, which increased our ownership of Haverhill and Middletown ownership by an additional 33.0 percent, from 65.0 percent to 98.0 percent. SunCoke continues to hold the remaining 2.0 percent interest.

Results of Operations

The following table sets forth amounts from the Combined and Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Unaudited) (Dollars in millions)			
Revenues				
Sales and other operating revenue	$158.7	$162.0	$480.8	$514.6
Costs and operating expenses				
Cost of products sold and operating expenses	115.3	118.9	353.5	383.3
Selling, general and administrative expenses	5.1	7.4	16.4	16.5
Depreciation and amortization expense	10.2	8.3	30.1	23.5
Total costs and operating expenses	130.6	134.6	400.0	423.3
Operating income	28.1	27.4	80.8	91.3
Interest expense, net	6.8	2.8	30.1	12.3
Income before income tax expense	21.3	24.6	50.7	79.0
Income tax expense	0.5	0.1	1.0	4.2
Net income	20.8	24.5	$49.7	$74.8
Less: Net income attributable to noncontrolling interests	0.6	10.8	15.1	30.0
Net income attributable to SunCoke Energy Partners, L.P./Predecessor	20.2	13.7	$34.6	$44.8
Less: Predecessor net income prior to initial public offering on January 24, 2013	—	—	—	3.5

Net income attributable to SunCoke Energy Partners, L.P. subsequent to initial public offering	$20.2	$13.7	$34.6	$41.3

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Revenues. Total revenues, net of sales discounts, were $158.7 million and $162.0 million for the three months ended September 30, 2014 and 2013, respectively, and were $480.8 million and $514.6 million for the nine months ended September 30, 2014 and 2013, respectively. The decreases were primarily due to the pass-through of lower coal prices and lower coke sales volumes in our Domestic Coke segment. The nine-month period also includes the impact of severe weather on production and yields at both our cokemaking facilities. The three and nine months ended September 30, 2014 included $12.2 million and $38.2 million, respectively, of revenue from the Coal Logistics business compared to the three and nine months ended September 30, 2013 which each only included one month of Coal Logistics revenues of $1.1 million due to the timing of acquisitions.

Costs and Operating Expenses. Total operating expenses were $130.6 million and $134.6 million for the three months ended September 30, 2014 and 2013, respectively, and were $400.0 million and $423.3 million for the nine months ended September 30, 2014 and 2013, respectively. The decreases in cost of products sold and operating expenses were driven primarily by reduced coal costs in our Domestic Coke segment partially offset by higher repair and maintenance costs. The nine-month period also includes incremental operating expenses associated with the severe winter weather in the first quarter.

Interest Expense, net. Interest expense, net was $6.8 million and $2.8 million for the three months ended September 30, 2014 and 2013, respectively, and was $30.1 million and $12.3 million for the nine months ended September 30, 2014 and 2013, respectively. Comparability between periods is impacted by the financing activities previously discussed.

Income Taxes. Income tax expense was $0.5 million and $0.1 million for the three months ended September 30, 2014 and 2013, respectively, and was $1.0 million and $4.2 million for the nine months ended September 30, 2014 and 2013, respectively. Comparability between periods is impacted by the income tax items previously discussed.

Noncontrolling Interest. Income attributable to noncontrolling interest was $0.6 million and $10.8 million for the three months ended September 30, 2014 and 2013, respectively, and was $15.1 million and $30.0 million for the nine months ended September 30, 2014 and 2013, respectively. Comparability between periods is impacted by the Drop-Down activities previously discussed.

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Results of Reportable Business Segments

We report our business results through two segments:

- Domestic Coke consists of our Haverhill and Middletown cokemaking and heat recovery operations located in Franklin Furnace, Ohio and Middletown, Ohio, respectively.
- Coal Logistics consists of our coal handling and blending services in East Chicago, Indiana; Credo, West Virginia; Belle, West Virginia; and Catlettsburg, Kentucky.

Management believes Adjusted EBITDA is an important measure of operating performance and is used as the primary basis for the Chief Operating Decision Maker ("CODM") to evaluate the performance of each of our reportable segments. Adjusted EBITDA should not be considered a substitute for the reported results prepared in accordance with U.S. GAAP. See "Non-GAAP Financial Measures" near the end of this Item.

Segment Operating Data

The following tables set forth financial and operating data for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Unaudited) (Dollars in millions)			
Sales and other operating revenues:				
Domestic Coke	$146.5	$160.9	$442.6	$513.5
Coal Logistics	12.2	1.1	38.2	1.1
Coal Logistics intersegment sales	1.4	—	3.5	—
Elimination of intersegment sales	(1.4)	—	(3.5)	—
Total	$158.7	$162.0	$480.8	$514.6
Adjusted EBITDA[(1)]:				
Domestic Coke	$36.0	$38.7	$105.7	$119.1
Coal Logistics	3.8	0.7	10.9	0.7
Corporate and Other	(1.5)	(3.7)	(5.7)	(5.6)
Total	$38.3	$35.7	$110.9	$114.2
Coke Operating Data:				
Domestic Coke capacity utilization (%)	107	108	105	109
Domestic Coke production volumes (thousands of tons)	447	447	1,295	1,344
Domestic Coke sales volumes (thousands of tons)	435	447	1,284	1,353
Domestic Coke Adjusted EBITDA per ton[(2)]	$82.76	$86.58	$82.32	$88.03
Coal Logistics Operating Data:				
Tons handled (thousands of tons)	4,772	136	14,736	136
Coal Logistics Adjusted EBITDA per ton handled[(3)]	$0.80	$5.15	$0.74	$5.15

(1) See definition of Adjusted EBITDA and reconciliation to GAAP at the end of this Item.
(2) Reflects Domestic Coke Adjusted EBITDA divided by Domestic Coke sales volumes.
(3) Reflects Coal Logistics Adjusted EBITDA divided by Coal Logistics tons handled.

Analysis of Segment Results

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Domestic Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased $14.4 million, or 8.9 percent, to $146.5 million for the three months ended September 30, 2014 compared to $160.9 million for the corresponding period of 2013. The decrease was mainly attributable to the pass-through of lower coal prices, which lowered revenues by $13.7 million. Lower overall sales volumes of 12 thousand tons decreased revenues by $3.0 million. These decreases were partially offset by increases of $2.3 million, primarily related to higher reimbursable operating and maintenance costs.

Adjusted EBITDA

Domestic Coke Adjusted EBITDA decreased $2.7 million, or 7.0 percent, to $36.0 million for the three months ended September 30, 2014 compared to $38.7 million in the corresponding period of 2013. Lower coal-to-coke yields and lower sales volumes of 12 thousand tons decreased Adjusted EBITDA $2.4 million and $0.3 million, respectively, as compared to the prior year period.

Depreciation expense, which was not included in segment profitability, was $8.2 million for the three months ended September 30, 2014 compared to $8.1 million in the prior year period.

Coal Logistics

Sales and Other Operating Revenue

Inclusive of intersegment sales, sales and other operating revenue were $13.6 million for the three months ended September 30, 2014 compared to $1.1 million for the corresponding period of 2013. Comparison between periods was impacted by timing of acquisitions.

Adjusted EBITDA

Coal Logistics Adjusted EBITDA was $3.8 million for the three months ended September 30, 2014 compared to $0.7 million in the corresponding period of 2013. Comparison between periods was impacted by timing of acquisitions.

Depreciation and amortization expense, which was not included in segment profitability, was $2.0 million for the three months ended September 30, 2014 compared to $0.2 million for the corresponding period of 2013.

Corporate and Other

Corporate and other expenses decreased $2.2 million to $1.5 million for the three months ended September 30, 2014 compared to $3.7 million in the same period of 2013. The decrease is mainly attributable to acquisition related costs incurred in 2013.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Domestic Coke

Sales and Other Operating Revenue

Sales and other operating revenue decreased $70.9 million, or 13.8 percent, to $442.6 million for the nine months ended September 30, 2014 compared to $513.5 million for the corresponding period of 2013. The decrease was mainly attributable to the pass-through of lower coal prices, which lowered revenues by $56.5 million. Lower overall sales volumes of 69 thousand tons, in part due to severe winter weather during the first quarter of 2014, also decreased revenues by $23.0 million. These decreases were partially offset by increases of $8.6 million, primarily related to higher reimbursable operating and maintenance costs.

Adjusted EBITDA

Domestic Coke Adjusted EBITDA decreased $13.4 million, or 11.3 percent, to $105.7 million for the nine months ended September 30, 2014 compared to $119.1 million in the corresponding period of 2013. The decrease was primarily related to lower coal-to-coke yields and lower sales volumes of 69 thousand tons, in part due to severe winter weather in the first quarter of 2014, decreasing Adjusted EBITDA $10.6 million and $6.4 million, respectively, as compared to the prior year period. These decreases were partially offset by increases of $3.6 million primarily related to a lower allocation of corporate costs.

Depreciation expense, which was not included in segment profitability, was relatively consistent at $24.5 million for the nine months ended September 30, 2014 compared to $23.3 million in the prior year period.

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Coal Logistics
Sales and Other Operating Revenue
Inclusive of intersegment sales, sales and other operating revenue were $41.7 million for the nine months ended September 30, 2014 compared to $1.1 million for the corresponding period of 2013. Comparison between periods was impacted by timing of acquisitions.
Adjusted EBITDA
Coal Logistics Adjusted EBITDA was $10.9 million for the nine months ended September 30, 2014 compared to $0.7 million in the corresponding period of 2013. Comparison between periods was impacted by timing of acquisitions. Depreciation and amortization expense, which was not included in segment profitability, was $5.6 million for the nine months ended September 30, 2014 compared to $0.2 million in the prior period and is impacted by the timing of acquisitions.
Corporate and Other
Corporate and other expenses increased to $5.7 million from $5.6 million for the nine months ended September 30, 2014 compared to the same period the prior year. The current year period included costs of the Drop-Down transaction. The prior year period included costs related to the acquisition of our Coal Logistics business.
Liquidity and Capital Resources
We operate in a capital-intensive industry, and our primary liquidity needs are to finance the replacement of partially or fully depreciated assets and other capital expenditures, service our debt, fund investments, fund working capital, maintain cash reserves and pay distributions. We believe our current resources, including the potential borrowings under our revolving credit facility, are sufficient to meet our working capital requirements for our current business for the foreseeable future.
On August 5, 2014, the Partnership entered into an Equity Distribution Agreement (the “Equity Agreement”) with Wells Fargo Securities, LLC (“Wells Fargo”). Pursuant to the terms of the Equity Agreement, the Partnership may sell from time to time through Wells Fargo, the Partnership’s common units representing limited partner interests having an aggregate offering price of up to $75.0 million. During the quarter the Partnership sold 62,956 common units under the Equity Agreement with an aggregate offering price of $1.8 million, leaving $73.2 million available under the Equity Agreement.
In conjunction with the closing of the Drop-Down, the Partnership amended the Partnership Revolver to include (i) an increase in the total aggregate commitments from lenders from $150.0 million to $250.0 million and (ii) an extension of the maturity date from January 2018 to May 2019. As of September 30, 2014, we had $26.9 million of cash and cash equivalents and $249.3 million of borrowing availability under our revolving credit facility. Our sources of liquidity include cash generated from operations, borrowings under our new revolving credit facility and, from time to time, debt and equity offerings.
The Partnership is subject to certain debt covenants that, among other things, limit the Partnership’s ability and the ability of certain of the Partnership’s subsidiaries to (i) incur indebtedness, (ii) pay dividends or make other distributions, (iii) prepay, redeem or repurchase certain debt, (iv) make loans and investments, (v) sell assets, (vi) incur liens, (vii) enter into transactions with affiliates and (viii) consolidate or merge. These covenants are subject to a number of exceptions and qualifications set forth in the respective agreements. Additionally, under the terms of the Partnership Revolver, the Partnership is subject to a maximum consolidated leverage ratio of 4.00 to 1.00, calculated by dividing total debt by EBITDA as defined by the Partnership Revolver, and a minimum consolidated interest coverage ratio of 2.50 to 1.00, calculated by dividing EBITDA by interest expense as defined by the Partnership Revolver. As of September 30, 2014, the Partnership was in compliance with all applicable debt covenants contained in the Partnership Revolver. We do not anticipate violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.
In accordance with our partnership agreement, on October 21, 2014, we declared a quarterly cash distribution of $0.5275 per unit. This distribution will be paid on November 28, 2014 to unitholders of record on November 14, 2014. Because we intend to distribute substantially all of our cash available for distribution, our growth may not be as fast as the growth of businesses that reinvest their available cash to expand ongoing operations. Moreover, our future growth may be slower than our historical growth. We expect that we will, in large part, rely upon external financing

sources, including bank borrowings and issuances of debt and equity securities, to fund acquisitions and expansion capital expenditures. To the extent we are unable to finance growth externally, our cash distribution policy could significantly impair our ability to grow. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. The incurrence of additional debt by us would result in increased interest expense, which in turn may also affect the amount of cash that we have available to distribute to our unitholders.

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The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,	
	2014	2013
	(Dollars in millions)	
Net cash provided by operating activities	$71.5	$69.7
Net cash used in investing activities	(53.1)	(49.0)
Net cash (used in) provided by financing activities	(37.8)	57.8
Net (decrease) increase in cash and cash equivalents	$(19.4)	$78.5

Cash Provided by Operating Activities

Net cash provided by operating activities increased by $1.8 million to $71.5 million for the nine months ended September 30, 2014 as compared to $69.7 million in the corresponding period of 2013. The increase was primarily due to changes in working capital.

Cash Used in Investing Activities

Cash used in investing activities increased $4.1 million to $53.1 million for the nine months ended September 30, 2014 as compared to $49.0 million in the corresponding period in 2013. The increase is attributable to higher environmental remediation expenditures at our Haverhill facility as well as higher ongoing capital expenditures as compared to the prior year period partially offset by the costs associated with the acquisition of our Coal Logistics business in the prior year.

Cash (Used in) Provided by Financing Activities

Net cash used in financing activities was $37.8 million for the nine months ended September 30, 2014 as compared to net cash provided by financing activities of $57.8 million for the corresponding period of 2013. In the second quarter of 2014, we received net proceeds of $88.7 million from the issuance of 3,220,000 common units in SunCoke Energy Partners, L.P. to common unitholders and gross proceeds of $268.1 million from the issuance of Senior Notes. These cash inflows were partially offset by the repayment of $276.3 million of long term debt, including a market premium of $11.4 million to complete the tender of certain debt, debt issuance costs of $5.8 million and cash payments to SunCoke of $3.4 million. In the third quarter of 2014 we received net proceeds of $1.8 million for additional units issued to the market under our Equity Agreement. During the nine months ended September 30, 2014, we made distributions to our unitholders of $54.2 million and distributions to SunCoke of $17.0 million. Additionally, we made net repayments of $40.0 million on the revolver.

In the nine months ended September 30, 2013, we received net proceeds of $231.8 million from the issuance of 13,500,000 common units in SunCoke Energy Partners, L.P. and $150.0 million from the issuance of the Senior Notes. These cash inflows were partially offset by the repayment of $225.0 million of our term loan, debt issuance costs of $6.8 million and distributions of $69.5 million to SunCoke, $33.1 million to reimburse SunCoke for expenditures made during the two-year period prior to the IPO for the expansion and improvement of certain assets and $36.4 million of distributions from earnings of Haverhill and Middletown subsequent to the IPO. Distributions to unitholders of $23.3 million further offset the cash proceeds.

Capital Requirements and Expenditures

Our cokemaking operations are capital intensive, requiring significant investment to upgrade or enhance existing operations and to meet environmental and operational regulations. The level of future capital expenditures will depend on various factors, including market conditions and customer requirements, and may differ from current or anticipated levels. Material changes in capital expenditures levels may impact financial results, including but not limited to the amount of depreciation, interest expense and repair and maintenance expense.

Our capital requirements have consisted, and are expected to consist, primarily of:

- ongoing capital expenditures required to maintain equipment reliability, ensure the integrity and safety of our coke ovens and steam generators and comply with environmental regulations;
- environmental remediation capital expenditures required to implement design changes to ensure that our existing facilities operate in accordance with existing environmental permits; and
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expansion capital expenditures to acquire and/or construct complementary assets to grow our business and to expand existing facilities as well as capital expenditures made to enable the renewal of a coke sales agreement and on which we expect to earn a reasonable return.

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The following table summarizes capital expenditures for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,	
	2014	2013
Ongoing capital	$14.1	$6.3
Environmental remediation capital	39.0	14.1
Total	$53.1	$20.4

Our capital expenditures for 2014 are expected to be approximately $60 million, of which ongoing capital expenditures are anticipated to be approximately $18 million. Ongoing capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and/or extend their useful lives. Ongoing capital expenditures also include new equipment that improves the efficiency, reliability or effectiveness of existing assets. Ongoing capital expenditures do not include normal repairs and maintenance expenses, which are expensed as incurred.

The EPA and state regulators have issued Notices of Violations (“NOVs”) for the Haverhill cokemaking facility which stem from alleged violations of air operating permits for this facility. SunCoke is currently working in a cooperative manner with the EPA to address the allegations and has lodged a consent decree in federal district court that is undergoing review. Settlement may require payment of a penalty for alleged past violations as well as the capital projects underway to improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill facility. We retained $74 million in proceeds from the Partnership offering and Drop-Down transaction for these environmental remediation projects to comply with the expected terms of a consent decree. Spending for these projects depends on the timing and finality of the settlement. Pursuant to the omnibus agreement with SunCoke, any amounts that we spend on these projects in excess of the $74 million retained will be reimbursed by SunCoke. Prior to our formation, SunCoke spent $5 million related to these projects. The Partnership spent $27 million during 2013 and has spent $39 million during 2014. We anticipate spending approximately $3 million in the remainder of 2014 and $6 million in 2015. Any potential penalties for alleged past violations will be paid by SunCoke.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

There have been no significant changes to our accounting policies during the nine months ended September 30, 2014. Please refer to our Annual Report on Form 10-K dated February 28, 2014 for a summary of these policies.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which provides guidance for revenue recognition. Under this ASU, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently reviewing the provisions of ASU 2014-09 but does not expect it to have a material effect on the Company's financial condition, results of operations, or cash flows.

In April 2014, FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. It is effective for annual periods beginning on or after December 15, 2014 with early adoption permitted. The application of this guidance is prospective from the date of adoption and applies only to disposals (or new classifications to held for sale) that have not been reported as discontinued operations in previously

issued financial statements. The Company does not expect this ASU to have a material effect on the Company's financial condition, results of operations, or cash flows.
In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern". This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to

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continue as a going concern and to provide related footnote disclosures. It is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect it to have a material effect on the Company's financial condition, results of operations, and cash flows.

Non-GAAP Financial Measures

In addition to the GAAP results provided in the Quarterly Report on Form 10-Q, we have provided a non-GAAP financial measure, Adjusted EBITDA. Reconciliation from GAAP to the non-GAAP measurement is presented below. Our management, as well as certain investors, use this non-GAAP measure to analyze our current and expected future financial performance. This measure is not in accordance with, or a substitute for, GAAP and may be different from, or inconsistent with, non-GAAP financial measures used by other companies.

Adjusted EBITDA. Adjusted EBITDA represents earnings before interest, taxes, depreciation (“EBITDA”), adjusted for sales discounts. Prior to the expiration of our nonconventional fuel tax credits in June 2012, EBITDA reflects sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuel tax credits, which reduce our income tax expense. However, we believe our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses.

Management believes Adjusted EBITDA is an important measure of the operating performance of the Partnership's net assets and provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

Set forth below is additional detail as to how we use Adjusted EBITDA as a measure of operating performance, as well as a discussion of the limitations of Adjusted EBITDA as an analytical tool.

Operating Performance. Our management uses Adjusted EBITDA in a number of ways to assess our combined financial and operating performance, and we believe this measure is helpful to management in identifying trends in our performance. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance while neutralizing the impact of capital structure on financial results. Accordingly, we believe this metric measures our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

Limitations. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income attributable to noncontrolling interests.

We explain Adjusted EBITDA and reconcile this non-GAAP financial measure to our net income, which is its most directly comparable financial measure calculated and presented in accordance with GAAP.

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Below is a reconciliation of Adjusted EBITDA to its closest GAAP measure with disaggregated results for periods prior to and subsequent to the IPO:

	Three Months Ended September 30,		Nine Months Ended September 30,		SunCoke Energy Partners, L.P. Predecessor	SunCoke Energy Partners, L.P.
	2014	2013	2014	2013	Period from January 1, 2013 to January 23, 2013	Period from January 24, 2013 to September 30, 2013
			(Dollars in millions)			
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P./Predecessor	$37.6	$22.1	$92.0	$75.9	$9.7	$66.2
Add: Adjusted EBITDA attributable to noncontrolling interest(1)	0.7	13.6	18.9	38.3	—	38.3
Adjusted EBITDA	$38.3	$35.7	$110.9	$114.2	$9.7	$104.5
Subtract:						
Depreciation and amortization expense	10.2	8.3	30.1	23.5	1.9	21.6
Interest expense, net	6.8	2.8	30.1	12.3	0.6	11.7
Income tax expense	0.5	0.1	1.0	4.2	3.7	0.5
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits(2)	—	—	—	(0.6)	—	(0.6)
Net income	$20.8	$24.5	$49.7	$74.8	$3.5	$71.3

(1) Reflects net income attributable to noncontrolling interest adjusted for noncontrolling interest share of interest, taxes and depreciation.

(2) At December 31, 2012, we had $12.4 million in accrued sales discounts to be paid to our customer at our Haverhill facility. During the first quarter of 2013, we settled this obligation for $11.8 million which resulted in a gain of $0.6 million. This gain is recorded in sales and other operating revenue on our Combined and Consolidated Statement of Income. Sales discounts are related to nonconventional fuel tax credits, which expired in 2012.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Quarterly Report on Form 10-Q, including, among others, in the sections entitled "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Such forward-looking statements are based on management's beliefs and assumptions and on information currently available. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and may be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "pred "potential," "continue," "may," "will," "should" or the negative of these terms or similar expressions. In particular, statements this Quarterly Report on Form 10-Q concerning future distributions are subject to approval by our Board of Directors and will be based upon circumstances then existing.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update any forward-looking statement (or its associated cautionary language), whether as a result of new information or future events, after the date of this Quarterly Report on Form 10-Q, except as required by applicable law.

The risk factors discussed in "Risk Factors" could cause our results to differ materially from those expressed in forward-looking statements. There also may be other risks that we are unable to predict at this time. Such risks and uncertainties include, without limitation:

- changes in levels of production, production capacity, pricing and/or margins for coal and coke;
- variation in availability, quality and supply of metallurgical coal used in the cokemaking process, including as a result of non-performance by our suppliers;
- changes in the marketplace that may affect our coal logistics business, including the supply and demand for thermal and metallurgical coals;
- change in the marketplace that may affect our cokemaking business, including the supply and demand for our coke, as well as increased imports of coke from foreign producers;
- competition from alternative steelmaking and other technologies that have the potential to reduce or eliminate the use of coke;
- our dependence on, relationships with, and other conditions affecting, our customers;
- severe financial hardship or bankruptcy of one or more of our major customers, or the occurrence of a customer default or other event affecting our ability to collect payments from our customers;
- volatility and cyclical downturns the coal market in the carbon steel industry and other industries in which our customers operate;
- our ability to enter into new, or renew existing, agreements upon favorable terms for the supply of coke to steel producers, or for the use of our coal logistics services;
- our ability to identify acquisitions, execute them under favorable terms and integrate them into our existing business operations;
- our ability to realize expected benefits from investments and acquisitions;
- our ability to consummate investments under favorable terms, including with respect to existing cokemaking facilities, which may utilize by-product technology, in the U.S. and Canada, and integrate them into our existing businesses and have them perform at anticipated levels;
- our ability to develop, design, permit, construct, start up or operate new cokemaking facilities in the U.S.;
- our ability to successfully implement our growth strategy;
- age of, and changes in the reliability, efficiency and capacity of the various equipment and operating facilities used in our cokemaking and/or coal logistics operations, and in the operations of our major customers, business partners and/or suppliers;
- changes in the expected operating levels of our assets;
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our ability to meet minimum volume requirements, coal-to-coke yield standards and coke quality standards in our coke sales agreements;

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- changes in the level of capital expenditures or operating expenses, including any changes in the level of environmental capital, operating or remediation expenditures;
- our ability to service our outstanding indebtedness;
- our ability to comply with the restrictions imposed by our financing arrangements;
- nonperformance or force majeure by, or disputes with, or changes in contract terms with, major customers, suppliers, dealers, distributors or other business partners;
- availability of skilled employees for our cokemaking and/or coal logistics operations, and other workplace factors;
- effects of railroad, barge, truck and other transportation performance and costs, including any transportation disruptions;
- effects of adverse events relating to the operation of our facilities and to the transportation and storage of hazardous materials (including equipment malfunction, explosions, fires, spills, and the effects of severe weather conditions);
- our ability to enter into joint ventures and other similar arrangements under favorable terms;
- our ability to consummate assets sales, other divestitures and strategic restructuring in a timely manner upon favorable terms, and/or realize the anticipated benefits from such actions;
- changes in the availability and cost of equity and debt financing;
- impact on our liquidity and ability to raise capital as a result of changes in the credit ratings assigned to our indebtedness;
- changes in credit terms required by our suppliers;
- risks related to labor relations and workplace safety;
- changes in, or new, statutes, regulations, rules, governmental policies and taxes, or their interpretations, including those relating to environmental matters;
- the existence of hazardous substances or other environmental contamination on property owned or used by us;
- receipt of regulatory approvals and compliance with contractual obligations required in connection with our operations;
- claims of noncompliance with any statutory and regulatory requirements;
- the accuracy of our estimates of any necessary reclamation and/or remediation activities;
- changes in the status of, or initiation of new litigation, arbitration, or other proceedings to which we are a party or liability resulting from such litigation, arbitration, or other proceedings;
- historical combined and consolidated financial data may not be reliable indicator of future results;
- public company costs;
- our indebtedness and certain covenants in our debt documents;
- changes in product specifications for the coke that we produce or the coals that we blend, store and transport;
- changes in insurance markets impacting costs and the level and types of coverage available, and the financial ability of our insurers to meet their obligations;
- changes in accounting rules and/or tax laws or their interpretations, including the method of accounting for inventories, leases and/or pensions;
- changes in financial markets impacting pension expense and funding requirements; and
- effects of geologic conditions, weather, natural disasters and other inherent risks beyond our control.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have material adverse effects on us. All forward-looking statements included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by the foregoing cautionary statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Partnership's exposure to market risk since December 31, 2013.

Item 4. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, the Partnership carried out an evaluation of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer.

Disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in Partnership reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership reports filed under the Exchange Act is accumulated and communicated to management, including the Partnership's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Partnership's disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately based on criteria established in the 1992 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMAITON

Item 1. Legal Proceedings

The information presented in Note 8 entitled "Commitments and Contingent Liabilities" to our Combined and Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Items 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

Exhibit Number	Description
10.1*	Amendment No. 1 to Omnibus Agreement, dated as of March 17, 2014, by and among SunCoke Energy Partners, L.P., SunCoke Energy Partners GP LLC and SunCoke Energy, Inc.
31.1*	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95.1*	Mine Safety Disclosures
101	The following financial statements from SunCoke Energy Partners L.P.'s Quarterly Report on Form 10-Q for the three months ended September 30, 2014, filed with the Securities and Exchange Commission on October 28, 2014, formatted in XBRL (eXtensible Business Reporting Language is attached to this report): (i) the Combined and Consolidated Statements of Operations; (ii) the Combined and Consolidated Balance Sheets; (iii) the Combined and Consolidated Statements of Cash Flows; and, (iv) the Notes to Combined and Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

* Filed herewith.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lisle, State of Illinois, on October 28, 2014.

SunCoke Energy Partners, L.P.

By:	SunCoke Energy Partners GP LLC, its general partner
By:	/s/ Fay West Fay West Senior Vice President and Chief Financial Officer (As Principal Financial Officer and Duly Authorized Officer of SunCoke Energy Partners GP LLC)