SunCoke Energy Partners, L.P.
Form 10-Q
October 25, 2018
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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, 2018
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	35-2451470
(State or other jurisdiction of incorporation or organization)	(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, a smaller reporting company or an emerging growth 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 ¨

Emerging growth company ý

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ý

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

The registrant had 46,227,148 common units outstanding at October 19, 2018.

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PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
SunCoke Energy Partners, L.P.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars and units in millions, except per unit amounts)			
Revenues				
Sales and other operating revenue	$224.1	$214.0	$667.5	$610.2
Costs and operating expenses				
Cost of products sold and operating expenses	162.2	146.2	484.3	431.0
Selling, general and administrative expenses	7.8	7.4	24.7	24.4
Depreciation and amortization expense	23.1	20.2	64.8	63.3
Total costs and operating expenses	193.1	173.8	573.8	518.7
Operating income	31.0	40.2	93.7	91.5
Interest expense, net	14.9	15.1	44.9	41.7
Loss on extinguishment of debt	—	0.1	—	20.0
Income before income tax expense	16.1	25.0	48.8	29.8
Income tax expense	0.4	1.7	1.0	150.7
Net income (loss)	15.7	23.3	47.8	(120.9)
Less: Net income (loss) attributable to noncontrolling interests	0.4	0.7	1.5	(1.3)
Net income (loss) attributable to SunCoke Energy Partners, L.P.	$15.3	$22.6	$46.3	$(119.6)
General partner's interest in net income	$0.4	$1.9	$1.0	$1.8
Limited partners' interest in net income (loss)	$14.9	$20.7	$45.3	$(121.4)
Net income (loss) per common unit (basic and diluted)	$0.32	$0.45	$0.98	$(2.63)
Weighted average common units outstanding (basic and diluted)	46.2	46.2	46.2	46.2

(See Accompanying Notes)

SunCoke Energy Partners, L.P.
Consolidated Balance Sheets

	September 30, 2018 (Unaudited)	December 31, 2017
	(Dollars in millions)	
Assets		
Cash and cash equivalents	$24.2	$ 6.6
Receivables	53.2	42.2
Receivables from affiliate, net	0.6	5.7
Inventories	82.1	79.4
Other current assets	3.7	1.9
Total current assets	163.8	135.8
Properties, plants and equipment (net of accumulated depreciation of $479.1 million and $423.1 million at September 30, 2018 and December 31, 2017, respectively)	1,258.2	1,265.6
Goodwill	73.5	73.5
Other intangible assets, net	158.4	166.2
Deferred charges and other assets	0.2	0.3
Total assets	$1,654.1	$ 1,641.4
Liabilities and Equity		
Accounts payable	$90.5	$ 54.9
Accrued liabilities	13.0	14.6
Deferred revenue	2.6	1.7
Current portion of long-term debt and financing obligation	2.7	2.6
Interest payable	16.3	4.0
Total current liabilities	125.1	77.8
Long-term debt and financing obligation	793.3	818.4
Deferred income taxes	120.3	119.2
Other deferred credits and liabilities	10.8	10.1
Total liabilities	1,049.5	1,025.5
Equity		
Held by public:		
Common units (issued 17,727,249 and 17,958,420 units at September 30, 2018 and December 31, 2017, respectively)	196.9	207.0
Held by parent:		
Common units (issued 28,499,899 and 28,268,728 units at September 30, 2018 and December 31, 2017, respectively)	356.3	365.4
General partner's interest	39.5	31.2
Partners' capital attributable to SunCoke Energy Partners, L.P.	592.7	603.6
Noncontrolling interest	11.9	12.3
Total equity	604.6	615.9
Total liabilities and equity	$1,654.1	$ 1,641.4

(See Accompanying Notes)

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

	Nine Months Ended September 30,	
	2018	2017
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$47.8	$(120.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	64.8	63.3
Deferred income tax expense	1.1	150.4
Loss on extinguishment of debt	—	20.0
Changes in working capital pertaining to operating activities:		
Receivables	(11.0)	(6.3)
Receivables/payables from affiliate, net	5.1	(5.9)
Inventories	(2.7)	(18.4)
Accounts payable	30.3	16.6
Accrued liabilities	(1.4)	2.8
Deferred revenue	0.9	14.1
Interest payable	12.3	2.3
Other	0.8	(5.3)
Net cash provided by operating activities	148.0	112.7
Cash Flows from Investing Activities:		
Capital expenditures	(44.4)	(23.3)
Net cash used in investing activities	(44.4)	(23.3)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	—	620.6
Repayment of long-term debt	—	(644.9)
Repayment of financing obligation	(1.9)	(1.8)
Proceeds from revolving credit facility	127.2	268.0
Repayment of revolving credit facility	(152.2)	(240.0)
Debt issuance costs	—	(14.9)
Distributions to unitholders (public and parent)	(67.2)	(89.7)
Distributions to noncontrolling interest (SunCoke Energy, Inc.)	(1.9)	(1.7)
Capital contributions from SunCoke	10.0	—
Net cash used in financing activities	(86.0)	(104.4)
Net increase (decrease) in cash and cash equivalents and restricted cash	17.6	(15.0)
Cash, cash equivalents and restricted cash at beginning of period	6.6	42.3
Cash, cash equivalents and restricted cash at end of period	$24.2	$27.3
Supplemental Disclosure of Cash Flow Information		
Interest paid	$32.3	$38.3
Income taxes paid	$2.9	$0.6

(See Accompanying Notes)

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

	Common - Public	Common - SunCoke	General Partner - SunCoke	Noncontrolling Interest	Total
	(Dollars in millions)				
At December 31, 2017	$ 207.0	$ 365.4	$ 31.2	$ 12.3	$ 615.9
Partnership net income	17.4	27.9	1.0	1.5	47.8
Distributions to unitholders	(24.8)	(39.7)	(2.7)	—	(67.2)
Distributions to noncontrolling interest	—	—	—	(1.9)	(1.9)
Public units acquired by SunCoke	(2.7)	2.7	—	—	—
SunCoke capital contributions	—	—	10.0	—	10.0
At September 30, 2018	$ 196.9	$ 356.3	$ 39.5	$ 11.9	$ 604.6

(See Accompanying Notes)

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SunCoke Energy Partners, L.P.
Notes to the Consolidated Financial Statements
1. General
Description of Business
SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us") primarily produces coke used in the blast furnace production of steel. Coke is a principal raw material in the blast furnace steelmaking process and is produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. We also provide handling and/or mixing services of coal and other aggregates at our logistics terminals.
At September 30, 2018, we owned a 98 percent interest in Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown") and Gateway Energy and Coke Company, LLC ("Granite City") and SunCoke Energy, Inc. ("SunCoke") owned the remaining 2 percent ownership interest in each of Haverhill, Middletown, and Granite City. The Partnership also owns a 100 percent interest in all of its logistics terminals, which consist of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT") and SunCoke Lake Terminal, LLC ("Lake Terminal"). At September 30, 2018, SunCoke, through a subsidiary, owned a 60.4 percent limited partnership interest in us and indirectly owned and controlled our general partner, which holds a 2.0 percent general partner interest in us and all of our incentive distribution rights ("IDRs").
Our cokemaking ovens have collective capacity to produce 2.3 million tons of coke annually and utilize efficient, modern heat recovery technology designed to combust the coal’s volatile components liberated during the cokemaking process and use the resulting heat to create steam or electricity for sale. This differs from by-product cokemaking, which seeks to repurpose the coal’s liberated volatile components for other uses. We have constructed the only greenfield cokemaking facilities in the United States ("U.S.") in approximately 30 years and are the only North American coke producer that utilizes heat recovery technology in the cokemaking process. We provide steam pursuant to steam supply and purchase agreements with our customers. Electricity is sold into the regional power market or pursuant to energy sales agreements.
Our logistics business provides handling and/or mixing services to steel, coke (including some of our and SunCoke's domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. The logistics business has terminals with the collective capacity to mix and/or transload more than 40 million tons of coal annually and has total storage capacity of approximately 3 million tons.
Organized in Delaware in 2012 and headquartered in Lisle, Illinois, we became a publicly-traded partnership in 2013 and our common units are listed on the New York Stock Exchange (“NYSE”) under the symbol “SXCP.”
Basis of Presentation
The accompanying unaudited consolidated financial statements included herein have been prepared in conformity with accounting principles generally accepted in the U.S. ("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 periods ended September 30, 2018 are not necessarily indicative of the operating results for the full year. These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2017.
Recently Adopted Accounting Pronouncements
In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605),” and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Partnership adopted this standard on January 1, 2018, using the modified retrospective method with no material impact on our revenue recognition model on an annual basis. See Note 10.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted cash.” The Partnership retrospectively adopted this ASU in the first quarter 2018 and modified the Partnership's cash flow presentation to include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The restricted cash balance was zero at both September 30, 2018 and December 31, 2017, and was $0.4 million and $0.5 million at September 30, 2017 and December 31, 2016, respectively.

Historical restricted cash balances related to cash withheld in the 2015 acquisition of CMT to fund the completion of certain expansion capital improvements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires leases to be recognized as assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. Subsequently, the FASB has issued various ASUs to provide further clarification around certain aspects of ASC 842. This standard is effective for annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. A multi-disciplined implementation team has gained an understanding of the accounting and disclosure provisions of the standard and is in the process of analyzing the impacts to our business, including the development of new accounting processes to account for our leases and support the required disclosures. We are implementing a technology tool to assist with the accounting and reporting requirements of this standard. While we are still evaluating the impact of adopting this standard, we expect that upon adoption the right-of-use assets and lease liabilities, such as land, the lease of our corporate office space and certain equipment rentals, will increase the reported assets and liabilities on our Consolidated Balance Sheets. The Partnership expects to prospectively adopt this standard on January 1, 2019.

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current year presentation.

2. Related Party Transactions and Agreements

Transactions with Affiliate

Our logistics business provides handling and mixing services to certain SunCoke cokemaking operations. Logistics recorded revenues derived from services provided to SunCoke’s cokemaking operations of $3.0 million and $8.0 million for the three and nine months ended September 30, 2018, respectively, and $2.2 million and $6.8 million for the three and nine months ended September 30, 2017, respectively.

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 $6.7 million and $20.4 million for the three and nine months ended September 30, 2018, respectively, and $6.8 million and $20.7 million for the three and nine months ended September 30, 2017, respectively, and were included in selling, general and administrative expenses on the Consolidated Statements of Operations. These costs include legal, accounting, tax, treasury, engineering, information technology, insurance, employee benefit costs, communications, human resources, and procurement. Corporate allocations are recorded in accordance with the terms of our omnibus agreement with SunCoke and our general partner.

Omnibus Agreement

In connection with the closing of our initial public offering ("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 U.S. and Canada. SunCoke has preferential rights to all other business opportunities.

Environmental Indemnity. SunCoke will indemnify us to the full extent of any remediation at the Haverhill, Middletown and Granite City cokemaking facilities arising from any known environmental matter discovered and identified as requiring remediation prior to the closing of the IPO and the dropdown of Granite City, respectively. SunCoke has contributed $129 million in partial satisfaction of this obligation and will reimburse us for additional spending in excess of $129 million as required for such known remediation obligations.

Other Indemnification. SunCoke will fully indemnify us with respect to any additional tax liability related to periods prior to or in connection with the closing of the IPO or the dropdown of the Partnership's Granite City facility (the "Granite City Dropdown") to the extent not currently presented on the Consolidated Balance Sheets. 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 or the Granite City Dropdown 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.

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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. SunCoke may consider providing additional support to the Partnership in the future by providing a corporate cost reimbursement holiday, whereby the Partnership would not be required to reimburse SunCoke for costs. Additionally, we paid all fees in connection with our senior notes offering and our 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.
3. Cash Distributions and Net Income Per Unit
Cash Distributions
Our partnership agreement generally provides that we will make cash distributions, if any, each quarter according to the following percentage allocations:

	Total Quarterly Distribution Per Unit Target Amount		Marginal Percentage Interest in Distributions	
			Unitholders	General Partner
First Target Distribution	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%

Our distributions are declared subsequent to quarter end. The table below represents total cash distributions applicable to the period in which the distributions were earned:

Earned in Quarter Ended	Total Quarterly Distribution Per Unit	Total Cash Distribution including general partners IDRs (Dollars in millions)	Date of Distribution	Unitholders Record Date
September 30, 2017	$ 0.5940	$ 29.5	December 1, 2017	November 15, 2017
December 31, 2017	$ 0.5940	$ 29.5	March 1, 2018	February 15, 2018
March 31, 2018	$ 0.4000	$ 18.9	June 1, 2018	May 15, 2018
June 30, 2018	$ 0.4000	$ 18.9	September 4, 2018	August 15, 2018
September 30, 2018[1]	$ 0.4000	$ 18.9	December 3, 2018	November 15, 2018

(1) On October 16, 2018, our Board of Directors declared a cash distribution of $0.40 per unit, which will be paid on December 3, 2018, to unitholders of record on November 15, 2018.
Allocation of Net Income
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.

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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,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income (loss) attributable to SunCoke Energy Partners, L.P.	$15.3	$22.6	$46.3	$(119.6)
General partner's incentive distribution rights	—	1.4	—	4.2
Net income (loss) attributable to partners, excluding incentive distribution rights	15.3	21.2	46.3	(123.8)
General partner's ownership interest:	2.0 %	2.0 %	2.0 %	2.0 %
General partner's allocated interest in net income (loss)[1]	0.4	0.5	1.0	(2.4)
General partner's incentive distribution rights	—	1.4	—	4.2
Total general partner's interest in net income	$0.4	$1.9	$1.0	$1.8
Common - public unitholder's interest in net income (loss)	$5.7	$8.6	$17.4	$(55.2)
Common - SunCoke interest in net income (loss)	9.2	12.1	27.9	(66.2)
Total limited partners' interest in net income (loss)	$14.9	$20.7	$45.3	$(121.4)

(1) 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. The table above represents a simplified presentation of the calculation, and therefore, amounts may not recalculate precisely.

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. 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 units, we also have identified the general partner interest and IDRs as participating securities and we 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.

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The calculation of earnings per unit is as follows:

	Three Months Ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
	(Dollars and units in millions, except per unit amounts)			
Net income (loss) attributable to SunCoke Energy Partners, L.P.	$15.3	$22.6	$46.3	$(119.6)
General partner's distributions (including zero, $1.4 million, zero, and $4.2 million, of cash incentive distribution rights declared, respectively)	0.4	2.0	1.2	6.0
Limited partners' distributions on common units	18.5	27.5	55.5	82.5
Distributions greater than earnings/loss	(3.6)	(6.9)	(10.4)	(208.1)
General partner's earnings (loss):				
Distributions (including zero, $1.4 million, zero and $4.2 million, of cash incentive distribution rights declared, respectively)	0.4	2.0	1.2	6.0
Allocation of distributions greater than earnings/loss	—	(0.1)	(0.2)	(4.2)
Total general partner's earnings	0.4	1.9	1.0	1.8
Limited partners' earnings (loss) on common units:				
Distributions	18.5	27.5	55.5	82.5
Allocation of distributions greater than earnings/loss	(3.6)	(6.8)	(10.2)	(203.9)
Total limited partners' earnings (loss) on common units	14.9	20.7	45.3	(121.4)
Weighted average limited partner units outstanding:				
Common - basic and diluted	46.2	46.2	46.2	46.2
Net income (loss) per limited partner unit:				
Common - basic and diluted	$0.32	$0.45	$0.98	$(2.63)

Unit Activity

Unit activity for the nine months ended September 30, 2018:

	Common - Public	Common - SunCoke	Total Common
At December 31, 2017	17,958,420	28,268,728	46,227,148
Common units acquired by SunCoke	(231,171)	231,171	—
At September 30, 2018	17,727,249	28,499,899	46,227,148

4. Inventories

The components of inventories were as follows:

	September 30, 2018	December 31, 2017
	(Dollars in millions)	
Coal	$ 45.0	$ 41.0
Coke	5.6	9.5
Materials, supplies, and other	31.5	28.9
Total inventories	$ 82.1	$ 79.4

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5. Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is tested for impairment as of October 1 of each year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit to below its carrying value. Goodwill allocated to our Logistics segment was $73.5 million at both September 30, 2018 and December 31, 2017.

The components of other intangible assets, net were as follows:

		September 30, 2018			December 31, 2017		
	Weighted - Average Remaining Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(Dollars in millions)					
Customer contracts	4	$24.0	$ 10.1	$13.9	$24.0	$ 7.8	$16.2
Customer relationships	13	28.7	7.1	21.6	28.7	5.7	23.0
Permits	24	139.0	16.1	122.9	139.0	12.2	126.8
Trade name	—	1.2	1.2	—	1.2	1.0	0.2
Total		$192.9	$ 34.5	$158.4	$192.9	$ 26.7	$166.2

The permits above represent the environmental and operational permits required to operate a coal export terminal in accordance with the U.S. Environmental Protection Agency (the "EPA") and other regulatory bodies. Intangible assets are amortized over their useful lives in a manner that reflects the pattern in which the economic benefit of the asset is consumed. The permits’ useful lives were estimated to be 27 years at acquisition based on the expected useful life of the significant operating equipment at the facility. We have historical experience of renewing and extending similar arrangements at our other facilities and intend to continue to renew our permits as they come up for renewal for the foreseeable future. The permits were renewed regularly prior to our acquisition of CMT. These permits have an average remaining renewal term of approximately 2.7 years.

In both 2018 and 2017, total amortization expense for intangible assets subject to amortization was $2.6 million and $7.8 million for the three and nine months ended September 30, respectively.

6. Income Taxes

The Partnership is a limited partnership and generally is not subject to federal or state income taxes. At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjust the rate as necessary. The Partnership recorded income tax expense of $0.4 million and $1.0 million for the three and nine months ended September 30, 2018, respectively, primarily related to local taxes and activities related to Gateway Cogeneration Company LLC.

In January 2017, the IRS announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. Subsequent to the 10-year transition period, certain cokemaking entities in the Partnership will become taxable as corporations. As a result, the Partnership recorded deferred income tax expense of $148.6 million during the first quarter of 2017 related to the future tax obligation expected to be owed for the projected book to tax differences at the end of the 10-year transition period.

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7. Debt and Financing Obligation

Total debt and financing obligation, including the current portion of long-term debt and financing obligation, consisted of the following:

	September 30, 2018	December 31, 2017
	(Dollars in millions)	
7.500 percent senior notes, due 2025 ("2025 Partnership Notes")	$700.0	$ 700.0
Revolving credit facility, due 2022 ("Partnership Revolver")	105.0	130.0
5.82 percent financing obligation, due 2021 ("Financing Obligation")	10.8	12.7
Total borrowings	815.8	842.7
Original issue discount	(5.5)	(5.9)
Debt issuance cost	(14.3)	(15.8)
Total debt and financing obligation	796.0	821.0
Less: current portion of long-term debt and financing obligation	2.7	2.6
Total long-term debt and financing obligation	$793.3	$ 818.4

Partnership Revolver

The Partnership Revolver has a capacity of $285.0 million. As of September 30, 2018, the Partnership had $1.9 million of letters of credit outstanding and an outstanding balance of $105.0 million, leaving $178.1 million available.

Covenants

Under the terms of the Partnership Revolver, the Partnership is subject to a maximum leverage ratio of 4.50:1.00 prior to June 30, 2020 and 4.00:1.00 after June 30, 2020, and a minimum consolidated interest coverage ratio of 2.50:1.00. The Partnership Revolver contains other covenants and events of default that are customary for similar agreements and may limit our ability to take various actions including our ability to pay a distribution or repurchase our common units.

If we fail to perform our obligations under these and other covenants, the lenders' credit commitment could be terminated and any outstanding borrowings, together with accrued interest, under the Partnership Revolver could be declared immediately due and payable. The Partnership has a cross-default provision that applies to our indebtedness having a principal amount in excess of $35 million.

As of September 30, 2018, the Partnership was in compliance with all applicable debt covenants. We do not anticipate a 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 EPA issued Notices of Violations (“NOVs”) for the Haverhill and Granite City cokemaking facilities which stemmed from alleged violations of air operating permits for these facilities. We are working in a cooperative manner with the EPA, the Ohio Environmental Protection Agency and the Illinois Environmental Protection Agency to address the allegations, and have entered into a consent decree in federal district court with these parties. The consent decree includes a $2.2 million civil penalty payment that was paid by SunCoke in 2014, as well as capital projects underway to improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City cokemaking facilities. An amendment was lodged in February 2018 and entered by the federal district court in July 2018. The amendment provides the Haverhill and Granite City facilities with additional time to perform necessary maintenance on the flue gas desulfurization systems without exceeding consent decree limits. The emissions associated with this maintenance will be mitigated in accordance with the amendment, and there are no civil penalty payments associated with this amendment. The project at Granite City was due to be completed in February 2019, but we now expect to complete the project in July 2019 and are in discussions with the government entities regarding, among other things, the timing thereof.

We retained an aggregate of $119 million in proceeds from the Partnership's IPO and subsequent dropdowns to fund the environmental remediation projects at the Haverhill and Granite City cokemaking facilities. Pursuant to the omnibus agreement, any amounts that we spend on these projects in excess of the $119 million will be reimbursed by

SunCoke. Prior to our formation, SunCoke spent approximately $7 million related to these projects. We have spent approximately $125 million to date and the remaining capital is expected to be spent through the first half of 2019. Pursuant to the omnibus agreement, SunCoke, through the general partner, made a capital contribution of $10 million to us during the first quarter of 2018 for these known environmental remediation projects. SunCoke expects to make additional capital contributions to us of approximately $10 million in the fourth quarter of 2018 and approximately $5 million in the first half of 2019 for the estimated future spending related to these environmental remediation projects.

The Partnership is a party to certain other pending and threatened claims, including matters related to commercial and tax disputes, product liability, employment claims, personal injury claims, premises-liability claims, allegations of exposures to toxic substances and general environmental 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 have a material adverse impact on our consolidated financial statements.

9. Fair Value Measurements

The Partnership measures certain financial and non-financial assets and liabilities at fair value on a recurring basis. 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.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis. The Partnership’s cash equivalents are measured at fair value based on quoted prices in active markets for identical assets. These inputs are classified as Level 1 within the valuation hierarchy. The Partnership did not have material cash equivalents at September 30, 2018 or December 31, 2017.

Convent Marine Terminal Contingent Consideration

In connection with the CMT acquisition, the Partnership entered into a contingent consideration arrangement that requires us to make future payments to The Cline Group based on future volume over a specified threshold, price and contract renewals. The fair value of the contingent consideration was estimated based on a probability-weighted analysis using significant inputs that are not observable in the market, or Level 3 inputs. Key assumptions included probability adjusted levels of handling services provided by CMT, anticipated price per ton on future sales and probability of contract renewal, including length of future contracts, volume commitment, and anticipated price per ton. The fair value of the contingent consideration was $3.6 million at September 30, 2018, with $0.9 million included in accrued liabilities and $2.7 million included in other deferred credit and liabilities on the Consolidated Balance Sheets. The fair value of the contingent consideration was $2.5 million at December 31, 2017 and was included in other deferred credits and liabilities on the Consolidated Balance Sheets. The increase in the fair value of the contingent consideration liability was primarily due to changes in expected throughput volumes related to the long-term, take-or-pay agreements.

Certain Financial Assets and Liabilities not Measured at Fair Value

At September 30, 2018 and December 31, 2017, the estimated fair value of the Partnership's total debt was $864.2 million and $875.0 million, respectively, compared to a carrying amount of $815.8 million and $842.7 million, respectively. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions which are considered Level 2 inputs.

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10. Revenue from Contracts with Customers

Cokemaking

Substantially all our coke sales are made pursuant to long-term, take-or-pay agreements with ArcelorMittal USA LLC and/or its affiliates (“AM USA”), AK Steel Holding Corporation ("AK Steel") and United States Steel Corporation ("U.S. Steel"), who are three of the largest blast furnace steelmakers in North America. The take-or-pay provisions of our agreements require us to deliver minimum annual tonnage, which varies by contract, but covers at least 90 percent of each facility's annual capacity. The take-or-pay provisions also require our customers to purchase such volumes of coke or pay the contract price for any tonnage they elect not to take. These coke sales agreements have an average remaining term of approximately seven years, and to date, our coke customers have satisfied their obligations under these agreements.

Our coke sales prices include an operating cost component, a coal cost component and a return of capital component. Operating costs under one of our coke sales agreements are contractual, subject to an annual adjustment based on an inflation index. Under our other three coke sales agreements operating costs are passed through to the respective customers subject to an annually negotiated budget, in some cases subject to a cap annually adjusted for inflation, and generally we share any difference in costs from the budgeted amounts with our customers. Our coke sales agreements contain pass-through provisions for coal and coal procurement costs, subject to meeting contractual coal-to-coke yields. To the extent that the actual coal-to-coke yields are less than the contractual standard, we are responsible for the cost of the excess coal used in the cokemaking process. Conversely, to the extent our actual coal-to-coke yields are higher than the contractual standard, we realize gains. The reimbursement of pass-through operating and coal costs from these coke sales agreements are considered to be variable consideration components included in the cokemaking sales price. The return of capital component for each ton of coke sold to the customer is determined at the time the coke sales agreement is signed and is effective for the term of each sales agreement. This component of our coke sales prices is intended to provide an adequate return on invested capital and may differ based on investment levels and other considerations. The actual return on invested capital at any facility is also impacted by favorable or unfavorable performance on pass-through cost items. Revenues are recognized when performance obligations to our customers are satisfied in an amount that reflects the consideration that we expect to receive in exchange for the coke.

Logistics

In our logistics business, handling and/or mixing services are provided to steel, coke (including some of our and SunCokes's domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. Materials are transported in numerous ways, including rail, truck, barge or ship. We do not take possession of materials handled, but rather act as intermediaries between our customers and end users, deriving our revenues from services provided on a per ton basis. The handling and mixing services consist primarily of two performance obligations, unloading and loading of materials. Our logistics business has long-term, take-or-pay agreements requiring us to handle over 15 million tons annually. The take-or-pay provisions in these agreements require our customers to purchase such handling services or pay the contract price for services they elect not to take. Estimated take-or-pay revenue of approximately $385 million from all of our long-term logistics contracts is expected to be recognized over the next five years for unsatisfied or partially unsatisfied performance obligations as of September 30, 2018. To date, our customers have satisfied their obligations under these agreements. Included with these long-term, take-or-pay arrangements are our contracts with Murray American Coal, Inc. ("Murray") and Foresight Energy LLC ("Foresight"), which cover 10 million tons of CMT's annual transloading capacity of 15 million tons. Revenues in our logistics business are recognized when the customer receives the benefits of the services provided, in an amount that reflects the consideration that we will receive in exchange for those services. Billings to CMT customers for take-or-pay volume shortfalls based on pro-rata volume commitments under take-or-pay contracts that are in excess of billings earned for services provided are recorded as contract liabilities and characterized as deferred revenue on the Consolidated Balance Sheets. Deferred revenue is recognized at the earliest of i) when the performance obligation is satisfied; ii) when the performance obligation has expired, based on the terms of the contract; or iii) when the likelihood that the customer would exercise its right to the performance obligation becomes remote.

The following table provides changes in the Partnership's deferred revenue:

	2018	2017

	(Dollars in millions)	
Beginning balance at December 31, 2017 and 2016, respectively	$1.7	$2.5
Reclassification of the beginning contract liabilities to revenue, as a result of performance obligation satisfied	(1.4)	(2.1)
Billings in excess of services performed, not recognized as revenue	2.3	16.2
Ending balance at September 30, 2018 and 2017, respectively	$2.6	$16.6

Energy

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Our energy sales are made pursuant to either steam or energy supply and purchase agreements or is sold into the regional power market. Our cokemaking ovens utilize efficient, modern heat recovery technology designed to combust the coal's volatile components liberated during the cokemaking process and use the resulting heat to create steam or electricity for sale. The energy provided under these arrangements result in transfer of control over time. Revenues are recognized as energy is delivered to our customers, in an amount based on the terms of each arrangement.

Disaggregated Sales and Other Operating Revenue

The following table provides disaggregated sales and other operating revenue by product or service, excluding intersegment revenues:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Sales and other operating revenue:				
Cokemaking	$179.0	$172.7	$537.1	$500.5
Energy	12.5	14.7	39.2	39.3
Logistics	30.8	23.8	85.8	62.0
Other	1.8	2.8	5.4	8.4
Sales and other operating revenue	$224.1	$214.0	$667.5	$610.2

The following table provides disaggregated sales and other operating revenue by customer:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Sales and other operating revenue:				
AM USA	$44.2	$47.9	$125.2	$134.3
AK Steel	96.3	84.2	284.0	251.1
U.S. Steel	47.4	58.5	154.5	157.6
Foresight and Murray	17.4	8.4	48.9	27.9
Other	18.8	15.0	54.9	39.3
Sales and other operating revenue	$224.1	$214.0	$667.5	$610.2

Shipping and Handling Costs

Shipping and handling costs are included in cost of products sold and operating expenses on the Consolidated Statements of Operations and are generally passed through to our customers. The Partnership has elected to account for shipping and handling activities as a promise to fulfill the transfer of coke.

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11. Business Segment Information

The Partnership derives its revenues from the Domestic Coke and Logistics reportable segments. Domestic Coke operations are comprised of the Haverhill, Middletown and Granite City cokemaking facilities, which use similar production processes to produce coke and to recover waste heat that is converted to steam or electricity.

Logistics operations are comprised of CMT, Lake Terminal and KRT. Handling and mixing results are presented in the Logistics segment.

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.

The following table includes Adjusted EBITDA, which is the measure of segment profit or loss and liquidity 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,	
	2018	2017	2018	2017
	(Dollars in millions)			
Sales and other operating revenue:				
Domestic Coke	$193.1	$193.4	$581.1	$548.6
Logistics	31.0	20.6	86.4	61.6
Logistics intersegment sales	1.7	1.6	5.2	4.9
Elimination of intersegment sales	(1.7)	(1.6)	(5.2)	(4.9)
Total sales and other operating revenue	$224.1	$214.0	$667.5	$610.2
Adjusted EBITDA:				
Domestic Coke	$37.4	$50.0	$118.7	$130.0
Logistics	20.9	12.3	53.5	34.9
Corporate and Other	(3.7)	(3.9)	(12.6)	(11.8)
Total Adjusted EBITDA	$54.6	$58.4	$159.6	$153.1
Depreciation and amortization expense:				
Domestic Coke[(1)]	$17.1	$14.3	$46.1	$45.6
Logistics	6.0	5.9	18.7	17.7
Total depreciation and amortization expense	$23.1	$20.2	$64.8	$63.3
Capital expenditures:				
Domestic Coke	$14.5	$13.0	$42.2	$21.8
Logistics	0.9	0.4	2.2	1.5
Total capital expenditures	$15.4	$13.4	$44.4	$23.3

(1) We revised the estimated useful lives of certain assets in our Domestic Coke segment, primarily as a result of plans to replace major components of certain heat recovery steam generators with upgraded materials and design, resulting in additional depreciation of $2.7 million, or $0.06 per common unit, during both the three and nine months ended September 30, 2018.

The following table sets forth the Partnership's segment assets:

	September 30, 2018	December 31, 2017
	(Dollars in millions)	
Segment assets:		
Domestic Coke	$1,183.0	$ 1,151.4
Logistics	467.4	489.8

Corporate and Other	3.7	0.2
Total assets	$1,654.1	$ 1,641.4

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The Partnership evaluates the performance of its segments based on segment Adjusted EBITDA, which represents earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for any loss (gain) on extinguishment of debt, and/or changes to our contingent consideration liability related to our acquisition of CMT. Adjusted EBITDA does not represent and should not be considered an alternative 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 and liquidity of the Partnership's net assets and its ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA 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 and liquidity. EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, and they should not be considered an alternative to net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP. Set forth below is additional discussion of the limitations of Adjusted EBITDA as an analytical tool.

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 items such as depreciation and amortization;
- 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.

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Below is a reconciliation of Adjusted EBITDA to net income and net cash provided by operating activities, which are its most directly comparable financial measures calculated and presented in accordance with GAAP:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income (loss)	$15.7	$23.3	$47.8	$(120.9)
Add:				
Depreciation and amortization expense	23.1	20.2	64.8	63.3
Interest expense, net	14.9	15.1	44.9	41.7
Loss on extinguishment of debt	—	0.1	—	20.0
Income tax expense	0.4	1.7	1.0	150.7
Contingent consideration adjustments	0.5	(2.0)	1.1	(1.7)
Adjusted EBITDA	$54.6	$58.4	$159.6	$153.1
Subtract:				
Adjusted EBITDA attributable to noncontrolling interest[(1)]	0.8	1.0	2.4	2.6
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$53.8	$57.4	$157.2	$150.5

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net cash provided by operating activities	$72.6	$61.1	$148.0	$112.7
Add:				
Cash interest paid	2.4	2.8	32.3	38.3
Cash income tax paid	0.4	—	2.9	0.6
Changes in working capital[(2)]	(18.8)	(8.8)	(21.2)	(2.9)
Contingent consideration adjustments	0.5	(2.0)	1.1	(1.7)
Other adjustments to reconcile cash provided by operating activities to Adjusted EBITDA	(2.5)	5.3	(3.5)	6.1
Adjusted EBITDA	$54.6	$58.4	$159.6	$153.1
Subtract:				
Adjusted EBITDA attributable to noncontrolling interest[(1)]	0.8	1.0	2.4	2.6
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$53.8	$57.4	$157.2	$150.5

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

(2) Changes in working capital exclude those items not impacting Adjusted EBITDA, such as changes in interest payable and income taxes payable.

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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 ("MD&A") is based on financial data derived from the financial statements prepared in accordance with United States ("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 and Note 11 to our consolidated financial statements.

Our MD&A is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flow.

Overview

SunCoke Energy Partners, L.P., (the "Partnership", "we", "our", and "us") primarily produces coke used in the blast furnace production of steel. Coke is a principal raw material in the blast furnace steelmaking process and is produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. Additionally, we own and operate a logistics business, which primarily provides handling and/or mixing services of coal and other aggregates. At September 30, 2018, SunCoke Energy, Inc. ("SunCoke") through a subsidiary, owned a 60.4 percent limited partnership interest in us and indirectly owned and controlled our general partner, which holds a 2.0 percent general partner interest in us and all of our incentive distribution rights ("IDRs").

Cokemaking

At September 30, 2018, we owned a 98 percent interest in Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown") and Gateway Energy and Coke Company, LLC ("Granite City") and SunCoke owned the remaining 2 percent ownership interest in each of Haverhill, Middletown, and Granite City. Our coke sales are made pursuant to long-term, take-or-pay agreements. These coke sales agreements have an average remaining term of approximately seven 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. To date, our customers have satisfied their obligations under these agreements.

The coke sales agreement and energy sales agreement with AK Steel Holding Corporation ("AK Steel") at our Haverhill facility are subject to early termination by AK Steel only if AK Steel meets both of the following two criteria: (1) AK Steel permanently shuts down operation of the iron producing portion of its Ashland Plant and (2) AK Steel has not acquired or begun construction of a new blast furnace in the U.S. to replace, in whole or in part, the Ashland Plant iron production capacity. AK Steel must give at least two years prior notice of its intention to terminate the agreement. Neither of the criteria have been met. No other coke sales contract has an early termination clause.

Our core business model is predicated on providing steelmakers an alternative to investing capital in their own captive coke production facilities. We direct our marketing efforts principally towards steelmaking customers that require coke for use in their blast furnaces. While our steelmaking customers continue to operate in an environment that is challenged by global overcapacity, they have benefited from improved steel pricing, favorable trade policies, including U.S. steel tariffs signed into order during the first half of 2018, and solid end market demand. In response to the improving macro environment, United States Steel Corporation (“U.S. Steel”) restarted both of the blast furnaces at its Granite City Works facility in 2018. Despite the improving market trends, AK Steel has kept portions of its Ashland Kentucky Works facility idled.

Our Granite City facility and the first phase of our Haverhill facility, or Haverhill I, have steam generation facilities, which use hot flue gas from the cokemaking process to produce steam for sale to customers, pursuant to steam supply and purchase agreements. Granite City sells steam to U.S. Steel and Haverhill I provides steam, at minimal cost, to

Altivia Petrochemicals, LLC. Our Middletown facility and the second phase of our Haverhill facility, or Haverhill II, have cogeneration plants that use the hot flue gas created by the cokemaking process to generate electricity, which either is sold into the regional power market or to AK Steel pursuant to energy sales agreements.

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The following table sets forth information about our cokemaking facilities and our coke, steam and energy sales agreements as of September 30, 2018:

Facility	Location	Coke Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Annual Cokemaking Capacity (thousands of tons)	Use of Waste Heat
Granite City	Granite City, Illinois	U.S. Steel	2009	December 2025	120	650	Steam for power generation
Haverhill I	Franklin Furnace, Ohio	AM USA	2005	December 2020	100	550	Process steam
Haverhill II	Franklin Furnace, Ohio	AK Steel	2008	December 2021	100	550	Power generation
Middletown(1)	Middletown, Ohio	AK Steel	2011	December 2032	100	550	Power generation
Total					420	2,300	

(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 nameplate capacity on a “run of oven” basis is 578 thousand tons per year.

Logistics

The Partnership owns a 100 percent interest in all of its logistics terminals, which consist of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT") and SunCoke Lake Terminal, LLC ("Lake Terminal"). CMT is one of the largest export terminals on the U.S. Gulf Coast. CMT provides strategic access to seaborne markets for coal and other industrial materials. Supporting low-cost Illinois Basin coal producers, the terminal provides loading and unloading services and has direct rail access and the current capability to transload 15 million tons annually. The facility is supported by long-term contracts with volume commitments covering 10 million tons of its current capacity as well as 350 thousand liquid tons. In 2017, we secured barge unloading capabilities to efficiently unload coal, petroleum coke and other materials from barges at CMT’s dock. The addition of barge unloading capabilities complements CMT's existing rail and truck offerings and provides the terminal with the ability to transload and mix a significantly broader variety of materials. KRT is a leading metallurgical and thermal coal mixing and handling terminal service provider with collective capacity to mix and transload 25 million tons annually through its two operations in West Virginia. Lake Terminal provides coal handling and mixing services to SunCoke's Indiana Harbor cokemaking operations.

Our logistics business has the collective capacity to mix and/or transload more than 40 million tons of coal and other aggregates annually and has storage capacity of approximately 3 million tons. Our services are provided to steel, coke (including some of our and SunCoke's domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. Services provided to our and SunCoke's domestic cokemaking facilities are provided under contracts with terms equivalent to those of an arm's-length transactions. Materials are transported in numerous ways, including rail, truck, barge or ship. We do not take possession of materials handled, but rather act as intermediaries between our customers and end users, deriving our revenues from services provided on a per ton basis. Billings to CMT customers for take-or-pay volume shortfalls based on pro-rata volume commitments under take-or-pay contracts that are in excess of billings earned for services provided are recorded as contract liabilities and characterized as deferred revenue on the Consolidated Balance Sheets. Deferred revenue will be recognized at the earliest of i) when the performance obligation is satisfied; ii) when the performance obligation has expired, based on the terms of the contract; or iii) when the likelihood that the customer would exercise its right to the performance obligation becomes remote.

The financial performance of our logistics business is substantially dependent upon a limited number of customers. Our CMT customers are impacted by seaborne export market dynamics. Fluctuations in the benchmark price for coal delivery into northwest Europe, as referenced in the Argus/McCloskey's Coal Price Index report ("API2 index price"), as well as Newcastle index coal prices, as referenced in the Argus/McCloskey's Coal Price Index report ("API5 index price"), which reflect high-ash coal prices shipped from Australia, contribute to our customers' decisions to place tons into the export market and thus impact transloading volumes through CMT. Our KRT terminals serve two primary domestic markets: metallurgical coal trade and thermal coal trade. Metallurgical markets are primarily impacted by steel prices and blast furnace operating levels, whereas thermal markets are impacted by natural gas prices and electricity demand.

Strong API2 and API5 index prices continue to provide attractive economics for Illinois Basin and Northern Appalachian coal producers, which support continued strong volumes at CMT. Late in the first quarter of 2018, near-historic water levels on the Mississippi River adversely impacted our barge unloading activities and temporarily limited larger vessel

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loading activity at CMT. River conditions returned to normal during the middle of the second quarter of 2018. At KRT, metallurgical market conditions and volumes were favorable in 2018 compared to 2017 and we also saw improved demand from utility customers in the southeast region. However, KRT volumes were suppressed by rail availability due to strong demand for bulk products in the export market and barge availability due to high water on the Ohio River during the third quarter of 2018.

Third Quarter Key Financial Results

Our consolidated results of operations were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
	(Dollars in millions)					
Net income (loss)	$15.7	$23.3	$ (7.6)	$47.8	$(120.9)	$ 168.7
Net cash provided by operating activities	$72.6	$61.1	$ 11.5	$148.0	$112.7	$ 35.3
Adjusted EBITDA	$54.6	$58.4	$ (3.8)	$159.6	$153.1	$ 6.5

In the third quarter of 2018, strong sales volumes at CMT were offset by the impact of an outage at our Granite City facility. See detailed analysis of the quarter's results throughout the MD&A. See Note 11 to our consolidated financial statements for the definition and reconciliation of Adjusted EBITDA.

Recent Developments and Items Impacting Comparability

- 2018 Guidance Update. During the third quarter of 2018, the Partnership revised its full year 2018 Adjusted EBITDA guidance range to $210 million to $215 million from $215 million to $225 million. This reduction reflects the impact of a planned Granite City outage, which began during the third quarter of 2018 and materially increased in scope and duration from our original expectations as our analysis revealed additional improvements would benefit the facility. This outage is expected to be completed in late November of 2018 and will result in a full year reduction to Adjusted EBITDA of approximately $6.5 million beyond the originally planned estimate as well as additional capital expenditures of approximately $5 million.
- Granite City Fire. In July 2018, our Granite City facility experienced a fire on a piece of machinery resulting in lost production, unanticipated repair costs and lower energy revenues. This event negatively impacted Adjusted EBITDA by $2.6 million in the third quarter of 2018.
- IRS Final Regulations on Qualifying Income. In January 2017, the IRS announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. Subsequent to the 10-year transition period, certain cokemaking entities in the Partnership will become taxable as corporations. As a result of the qualifying income exception, the Partnership recorded deferred income tax expense of $148.6 million during the first quarter of 2017, related to the future tax obligation expected to be owed for the projected book to tax differences at the end of the 10-year transition period. A portion of this deferred tax liability of $3.0 million was attributable to SunCoke's retained ownership interest in the cokemaking facilities and, therefore, was also reflected as a reduction in noncontrolling interest during the nine months ended September 30, 2017.

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Results of Operations

The following table sets forth amounts from the Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
	(Dollars in millions)					
Revenues						
Sales and other operating revenue	$224.1	$214.0	$ 10.1	$667.5	$610.2	$ 57.3
Costs and operating expenses						
Cost of products sold and operating expenses	162.2	146.2	16.0	484.3	431.0	53.3
Selling, general and administrative expenses	7.8	7.4	0.4	24.7	24.4	0.3
Depreciation and amortization expense	23.1	20.2	2.9	64.8	63.3	1.5
Total costs and operating expenses	193.1	173.8	19.3	573.8	518.7	55.1
Operating income	31.0	40.2	(9.2)	93.7	91.5	2.2
Interest expense, net	14.9	15.1	(0.2)	44.9	41.7	3.2
Loss on extinguishment of debt	—	0.1	(0.1)	—	20.0	(20.0)
Income before income tax expense	16.1	25.0	(8.9)	48.8	29.8	19.0
Income tax expense	0.4	1.7	(1.3)	1.0	150.7	(149.7)
Net income (loss)	15.7	23.3	(7.6)	47.8	(120.9)	168.7
Less: Net income (loss) attributable to noncontrolling interests	0.4	0.7	(0.3)	1.5	(1.3)	2.8
Net income (loss) attributable to SunCoke Energy Partners, L.P.	$15.3	$22.6	$ (7.3)	$46.3	$(119.6)	$ 165.9

Sales and Other Operating Revenue and Costs of Products Sold and Operating Expenses. Sales and other operating revenue and costs of products sold and operating expenses increased for the three and nine months ended September 30, 2018 compared to the same prior year period, primarily due to the pass-through of higher coal prices and higher volumes in our Domestic Coke segment. Higher sales volumes in our Logistics segment also increased revenue as compared to the prior year periods.

Depreciation and Amortization Expense. The increase in depreciation and amortization expense was driven by revisions in 2018 to the estimated useful lives of certain assets in our Domestic Coke segment, primarily as a result of plans to replace major components of certain heat recovery steam generators with upgraded materials and design. The revisions resulted in additional depreciation of $2.7 million, or $0.06 per common unit, during both the three and nine months ended September 30, 2018.

Interest Expense, net. Interest expense, net benefited from higher capitalized interest on the environmental remediation project during both the three and nine months ended September 30, 2018. This benefit was more than offset by higher interest rates during the nine months ended September 30, 2018 as a result of our May 2017 debt restructuring.

Loss on Extinguishment of Debt. The loss on extinguishment of debt in the nine months ended September 30, 2017 was recorded in connection with the Partnership's debt restructuring.

Income Taxes. The nine months ended September 30, 2017 was impacted by the IRS Final Regulations previously discussed in "Recent Developments and Items Impacting Comparability."

Noncontrolling Interest. Net income (loss) attributable to noncontrolling interest represents SunCoke's retained ownership interest in our cokemaking facilities. The nine months ended September 30, 2017 includes $3.0 million related to the IRS Final Regulations previously described in "Recent Developments and Items Impacting Comparability."

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Results of Reportable Business Segments

We report our business results through two segments:

- Domestic Coke consists of our Haverhill, Middletown and Granite City cokemaking and heat recovery operations located in Franklin Furnace, Ohio; Middletown, Ohio; and Granite City, Illinois, respectively.
- Logistics consists of our handling and/or mixing in East Chicago, Indiana; Ceredo, West Virginia; Belle, West Virginia; and Convent, Louisiana.

The operations of each of our segments are described at the beginning of the MD&A.

Corporate expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other.

Management believes Adjusted EBITDA is an important measure of operating performance and liquidity and it is used as the primary basis for the chief operating decision maker 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 GAAP. See "Non-GAAP Financial Measures" near the end of this Item.

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Segment Operating Data

The following tables set forth financial and operating data for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
	(Dollars in millions)					
Sales and other operating revenues:						
Domestic Coke	$193.1	$193.4	$(0.3)	$581.1	$548.6	$ 32.5
Logistics	31.0	20.6	10.4	86.4	61.6	24.8
Logistics intersegment sales	1.7	1.6	0.1	5.2	4.9	0.3
Elimination of intersegment sales	(1.7)	(1.6)	(0.1)	(5.2)	(4.9)	(0.3)
Total sales and other operating revenues	$224.1	$214.0	$10.1	$667.5	$610.2	$ 57.3
Adjusted EBITDA[1]:						
Domestic Coke	$37.4	$50.0	$(12.6)	$118.7	$130.0	(11.3)
Logistics	20.9	12.3	8.6	53.5	34.9	18.6
Corporate and Other	(3.7)	(3.9)	0.2	(12.6)	(11.8)	(0.8)
Total Adjusted EBITDA	$54.6	$58.4	$(3.8)	$159.6	$153.1	$ 6.5
Coke Operating Data:						
Domestic Coke capacity utilization	102 %	103 %	(1)%	101 %	100 %	1 %
Domestic Coke production volumes (thousands of tons)	588	595	(7)	1,731	1,727	4
Domestic Coke sales volumes (thousands of tons)	589	585	4	1,746	1,718	28
Domestic Coke Adjusted EBITDA per ton[2]	$63.50	$85.47	$(21.97)	$67.98	$75.67	$ (7.69)
Logistics Operating Data:						
Tons handled (thousands of tons)[3]	6,697	4,862	1,835	18,915	15,220	3,695
CMT take-or-pay shortfall tons (thousands of tons)[4]	42	1,005	(963)	147	2,505	(2,358)

(1) See Note 11 in our consolidated financial statements for both the definition of Adjusted EBITDA and the reconciliations from GAAP to the non-GAAP measurement for the three and nine months ended September 30, 2018 and 2017.

(2) Reflects Domestic Coke Adjusted EBITDA divided by Domestic Coke sales volumes.

(3) Reflects inbound tons handled during the period.

(4) Reflects tons billed under take-or-pay contracts where services have not yet been performed. Our two largest coal export customers did not have any shortfall tons as of September 30, 2018.

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Analysis of Segment Results

Domestic Coke

The following table explains year-over-year changes in our Domestic Coke segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended September 30, 2018 vs. 2017		Nine months ended September 30, 2018 vs. 2017	
	Sales and other operating revenue	Adjusted EBITDA	Sales and other operating revenue	Adjusted EBITDA
	(Dollars in millions)			
Prior year period	$193.4	$ 50.0	$548.6	$ 130.0
Volumes	(1.8)	(3.3)	2.5	(4.5)
Coal cost recovery and yields[(1)]	4.4	(1.2)	28.7	3.6
Operating and maintenance costs[(2)]	0.3	(4.8)	3.1	(9.0)
Energy and other[(3)]	(3.2)	(3.3)	(1.8)	(1.4)
Current year period	$193.1	$ 37.4	$581.1	$ 118.7

(1) The increase in revenues was driven by pass-through of higher coal prices. Also, revenue and Adjusted EBITDA benefited in the current year periods from the absence of $0.2 million and $3.0 million of under-recovered coal costs from unfulfilled coal supply commitments during the three and nine months ended September 30, 2017, respectively. Additionally, outage work performed at our Granite City facility during the three months ended September 30, 2018 negatively impacted coal-to-coke yields.

(2) The timing and scope of outage work negatively impacted Adjusted EBITDA by $5.6 million and $5.1 million in the three and nine months ended September 30, 2018, respectively, as compared to the same prior year periods.

(3) The decrease in energy was primarily driven by our extended Granite City outage and a machinery fire in the three months ended September 30, 2018.

Logistics

The following table explains year-over-year changes in our Logistics segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended September 30, 2018 vs. 2017		Nine months ended September 30, 2018 vs. 2017	
	Sales and other operating revenue inclusive of intersegment sales	Adjusted EBITDA	Sales and other operating revenue inclusive of intersegment sales	Adjusted EBITDA
	(Dollars in millions)			
Prior year period	$22.2	$ 12.3	$66.5	$ 34.9
Transloading volumes[(1)]	10.8	9.0	25.1	20.3
Price/margin impact of mix in transloading services	0.4	0.4	1.1	1.1
Operating and maintenance costs and other[(2)]	(0.7)	(0.8)	(1.1)	(2.8)
Current year period	$32.7	$ 20.9	$91.6	$ 53.5

(1) The increase in volumes was driven by significantly higher throughput volumes at CMT in the current year periods.

(2) Near-historic water levels in early 2018 resulted in higher operating costs at CMT, which negatively impacted Adjusted EBITDA during the three and nine months ended September 30, of 2018 as compared to the same prior year periods.

Corporate and Other

During the three months ended September 30, 2018, Corporate and Other expenses were comparable to the same prior year period.

During the nine months ended September 30, 2018, Corporate and Other expenses increased $0.8 million to $12.6 million as compared to the same prior year period due to a higher allocation of costs from SunCoke.

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Liquidity and Capital Resources

Our primary liquidity needs are to fund working capital, fund investments, service our debt, maintain cash reserves, and replace partially or fully depreciated assets and other capital expenditures. Our sources of liquidity include cash generated from operations, borrowings under our revolving credit facility and, from time to time, debt and equity offerings. We believe our current resources are sufficient to meet our working capital requirements for our current business for the foreseeable future. As of September 30, 2018, we had $24.2 million of cash and cash equivalents and $178.1 million of borrowing availability under the Partnership Revolver.

Covenants

As of September 30, 2018, the Partnership was in compliance with all applicable debt covenants. We do not anticipate a violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing. See Note 7 to the consolidated financial statements for details on debt covenants.

Credit Rating

In February 2018, S&P Global Ratings ("S&P Global") reaffirmed SunCoke's corporate family credit rating of BB- (stable). Additionally, in May 2018, Moody’s Investors Service (“Moody’s”) reaffirmed SunCoke's corporate family credit rating of B1 (stable).

Distribution

On October 16, 2018, the Partnership's Board of Directors declared a quarterly cash distribution of $0.40 per unit. This distribution will be paid on December 3, 2018 to unitholders of record on November 15, 2018. In the first quarter of 2018, the Partnership announced a reduction in its distribution. Management and the Partnership's Board of Directors believe reallocating capital towards paying down debt and building additional liquidity will maximize long-term value for all unitholders, as a stronger balance sheet and increased financial flexibility better positions the Partnership for long-term success. This distribution policy will allow the Partnership to pay down debt towards its stated leverage target of 3.50:1.00 or lower by the end of 2019, and it will provide the desired cushion when our maximum leverage covenant steps down from the current 4.50:1:00 to 4.00:1.00 in June of 2020.

Cash Flow Summary

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, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
	(Dollars in millions)	
Net cash provided by operating activities	$148.0	$112.7
Net cash used in investing activities	(44.4)	(23.3)
Net cash used in financing activities	(86.0)	(104.4)
Net increase (decrease) in cash and cash equivalents and restricted cash	$17.6	$(15.0)

Cash Provided by Operating Activities

Net cash provided by operating activities increased by $35.3 million to $148.0 million for the nine months ended September 30, 2018 as compared to the same period in the prior year. The increase was driven by a favorable year-over-year change of approximately $36 million in primary working capital, which is comprised of accounts receivable, inventories and accounts payable, primarily as a result of the timing of coal purchases and the settlement of balances with SunCoke. Additionally, the current year period benefited from $6.0 million of lower interest payments as a result of the Partnership's debt restructuring in the second quarter of 2017, which impacted the timing of when interest payments are made.

Cash Used in Investing Activities

Net cash used in investing activities increased $21.1 million to $44.4 million for the nine months ended September 30, 2018 as compared to the corresponding period in 2017 due to higher capital spending, primarily related to the

environmental remediation project at our Granite City facility.
Cash Used in Financing Activities
Net cash used in financing activities decreased $18.4 million to $86.0 million for the nine months ended September 30, 2018 as compared to the same period in the prior year. In accordance with the objectives of the new distribution policy, the

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Partnership paid $11.7 million lower distributions to its unitholders and SunCoke as compared to the same prior year period and also repaid $25.0 million on its revolving credit facility during the third quarter of 2018. Pursuant to the omnibus agreement, SunCoke, through the general partner, made a capital contribution of $10 million to us during the first quarter 2018 for certain known environmental remediation projects. Additionally, in August 2017, the Partnership utilized $100.0 million of its borrowings under the Partnership Revolver and $12.6 million of cash to repay the remaining outstanding balance of $112.6 million on the Partnership's Promissory Note. The May 2017 debt restructuring resulted in $2.5 million of net proceeds from financing cash flows.

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 expenditure 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 to comply with environmental regulations. Ongoing capital expenditures are made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and/or to extend their useful lives and 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;
- Environmental remediation project expenditures required to implement design changes to ensure that our existing facilities operate in accordance with existing environmental permits; and
- 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.

The following table summarizes ongoing, the environmental remediation projects and expansion capital expenditures for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
	(Dollars in millions)	
Ongoing capital	$21.2	$11.9
Environmental remediation projects[1]	22.4	11.0
Expansion capital	0.8	0.4
Total	$44.4	$23.3

(1) Includes $2.2 million and $0.7 million of capitalized interest, in connection with the environmental remediation projects, during the nine months ended September 30, 2018 and 2017, respectively.

In 2018, we expect our capital expenditures to be approximately $61 million, which is comprised of the following:

- Total ongoing capital expenditures of approximately $30 million, which has increased $5 million from our previous guidance due to the expanded scope of the Granite City outage;
- Total capital expenditures on the environmental remediation projects are now expected to be approximately $30 million in 2018 and reflect a shift of $5 million of estimated capital expenditures from 2018 to 2019, with no impact on our total estimated spend on the project; and
- Total expansion capital of approximately $1 million in our Logistics segment.

We retained $119 million in proceeds from the Partnership's IPO and subsequent dropdowns to fund the environmental remediation projects at the Haverhill and Granite City cokemaking facilities. Pursuant to the omnibus agreement, any amounts that we spend on these projects in excess of the $119 million will be reimbursed by SunCoke. Prior to our formation, SunCoke spent approximately $7 million related to these projects. We have spent approximately $125 million to date and the remaining capital is expected to be spent through the first half of 2019. Pursuant to the omnibus agreement, SunCoke, through the general partner, made a capital contribution of $10 million to us during the first quarter of 2018 for these known environmental

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remediation projects. SunCoke expects to make additional capital contributions to us of approximately $10 million in the fourth quarter of 2018 and approximately $5 million in the first half of 2019 for the estimated future spending related to these environmental remediation projects.

Off-Balance Sheet Arrangements

We have letters of credit, operating leases and outstanding surety bonds to secure reclamation and other performance commitments. There have been no significant changes to these arrangements during the nine months ended September 30, 2018. Please refer to our Annual Report on Form 10-K filed on February 15, 2018 for further disclosure of these arrangements. Other than these arrangements, the Partnership has not entered into any transactions, agreements or other contractual arrangements that would result in material off-balance sheet liabilities.

Critical Accounting Policies

There have been no significant changes to our accounting policies during the nine months ended September 30, 2018. Please refer to our Annual Report on Form 10-K filed on February 15, 2018 for a summary of these policies.

Recent Accounting Standards

See Note 1 to our consolidated financial statements.

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Non-GAAP Financial Measures

In addition to the GAAP results provided in the Annual Report on Form 10-K, we have provided a non-GAAP financial measure, Adjusted EBITDA. Our management, as well as certain investors, uses this non-GAAP measure to analyze our current and expected future financial performance and liquidity. 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. See Note 11 in our consolidated financial statements for both the definition of Adjusted EBITDA and the reconciliations from GAAP to the non-GAAP measurement for the three and nine months ended September 30, 2018 and 2017, respectively.

The Partnership has revised its full year 2018 Adjusted EBITDA guidance range as a result of the higher than expected outage costs and a machinery fire at our Granite City facility. Below is a reconciliation of revised 2018 estimated Adjusted EBITDA from its closest GAAP measures:

	2018	
	Low	High
	(Dollars in millions)	
Net Income	$54	$64
Add:		
Depreciation and amortization expense(1)	97	92
Interest expense	60	60
Income tax expense	2	3
Adjusted EBITDA	$213	$219
Subtract:		
Adjusted EBITDA attributable to noncontrolling interest(2)	3	4
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$210	$215

	2018	
	Low	High
	(Dollars in millions)	
Net cash provided by operating activities	$140	$150
Add:		
Cash interest paid	60	60
Cash income tax paid	2	3
Changes in working capital and other(3)	11	6
Adjusted EBITDA	$213	$219
Subtract:		
Adjusted EBITDA attributable to noncontrolling interest(2)	3	4
Adjusted EBITDA attributable to SunCoke Energy Partners, L.P.	$210	$215

(1) Reflects revisions in estimated useful lives of certain assets in our Domestic Coke segment made in the third quarter.

(2) Reflects net income attributable to noncontrolling interest adjusted for noncontrolling interest's share of interest, taxes, income, and depreciation and amortization.

(3) Changes in working capital exclude those items not impacting Adjusted EBITDA, such as changes in interest payable and income taxes payable.

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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 “Risk Factors,” “Quantitative and Qualitative Disclosures About Market Risk” 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, and 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,” “predict,” “potential,” “continue,” “may,” “will,” “should” or the negative of these te similar expressions. In particular, statements in 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 the forward-looking statements made in this Quarterly Report on Form 10-Q. 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 steel, 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 logistics business, including the supply and demand for thermal and metallurgical coals;
- changes 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 and/or suppliers;
- 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 in the steel industry and in other industries in which our customers and/or suppliers operate;
- volatility and cyclical downturns in the coal market, in the carbon steel industry, and other industries in which our customers and/or suppliers operate;
- our ability to enter into new, or renew existing, long-term agreements upon favorable terms for the sale of coke, steam, or electric power, or for coal and other aggregates handling services (including transportation, storage and mixing);
- 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, 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;

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- age of, and changes in the reliability, efficiency and capacity of the various equipment and operating facilities used in our cokemaking and/or logistics operations, and in the operations of our major customers, business partners and/or suppliers;
- changes in the expected operating levels of our assets;
- our ability to meet minimum volume requirements, coal-to-coke yield standards and coke quality standards in our coke sales agreements;
- 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;
- our ability to comply with applicable federal, state, or local laws and regulations, including but not limited to those relating to environmental matters;
- 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 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);
- effects of adverse events relating to the business or commercial operations of our customers and/or suppliers;
- disruption in our information technology infrastructure and/or loss of our ability to securely store, maintain, or transmit data due to security breach by hackers, employee error or malfeasance, terrorist attack, power loss, telecommunications failure or other events;
- our ability to enter into joint ventures and other similar arrangements under favorable terms;
- our ability to consummate asset 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;
- impacts 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 affecting our commercial operations and those of our customers and suppliers;
- proposed or final changes in existing, or new, statutes, regulations, rules, governmental policies, or their interpretations, including those relating to environmental matters and taxes;
- the existence of hazardous substances or other environmental contamination on property owned or used by us;
- receipt of required permits and other regulatory approvals and compliance with contractual obligations and/or bonding requirements in connection with our cokemaking and/or logistics operations;
- claims of noncompliance with any statutory and regulatory requirements;
- the accuracy of our estimates of any necessary reclamation and/or remediation activities;
- proposed or final changes in accounting and/or tax methodologies, laws, regulations, rules, or policies, or their interpretations, including those affecting inventories, leases, post-employment benefit income, and/or other items;
- historical consolidated financial data may not be reliable indicators of future results;
- public company costs;
- our indebtedness and certain covenants in our debt documents;

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- our ability to secure new coal supply agreements or to renew existing coal supply agreements;
- changes in product specifications for the coke that we produce or the coals that we mix, 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;
- inadequate protection of our intellectual property rights; 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Partnership's exposure to market risk disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

The Partnership maintains disclosure controls and procedures, (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in its 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, and that such information is accumulated and communicated to the Partnership’s management, including its Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Partnership carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Partnership’s disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Partnership’s Chief Executive Officer and Chief Financial Officer concluded that the Partnership's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

During the first quarter of 2018, we implemented a new enterprise resource planning ("ERP") system. Accordingly, we modified the design and documentation of certain internal control processes and procedures relating to the new ERP system at that time. Other than the ERP and related systems implementation, there have been no changes in the Partnership's internal control over financial reporting that materially affected, or are 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 to our consolidated financial statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Many legal and administrative proceedings are pending or may be brought against us arising out of our current and past operations, including matters related to commercial and tax disputes, product liability, employment claims, personal injury claims, premises-liability claims, allegations of exposures to toxic substances and general environmental claims. Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them could be resolved unfavorably to us. Our management believes that any liabilities that may arise from such matters would not be material in relation to our business or our consolidated financial position, results of operations or cash flows at September 30, 2018.

Item 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, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Market Repurchases

There has been no activity with respect to the program to repurchase outstanding units during the nine months ended September 30, 2018. Please refer to our Annual Report on Form 10-K filed on February 15, 2018 for further information on the program.

Item 4. Mine Safety Disclosures

Certain logistics assets are subject to Mine Safety and Health Administration regulatory purview. The information concerning mine safety violations and other regulatory matters that we are required to report in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.014) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

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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
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 the SunCoke Energy Partners L.P.'s Quarterly Report on Form 10-Q for the nine months ended September 30, 2018, filed with the Securities and Exchange Commission on October 25, 2018, formatted in XBRL (eXtensible Business Reporting Language is attached to this report): (i) the Consolidated Statements of Operations; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statement of Equity; and, (v) the Notes to Consolidated Financial Statements.

*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 25, 2018.

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)