



Edgar Filing: Calumet Specialty Products Partners, L.P. - Form 10-Q

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

At November 7, 2012, there were 57,529,778 common units outstanding.

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CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.  
QUARTERLY REPORT  
For the Three and Nine Months Ended September 30, 2012  
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Quarterly Report”) includes certain “forward-looking statements”. These statements can be identified by the use of forward-looking terminology including “may,” “intend,” “believe,” “expect,” “anticipate,” “estimate,” “continue,” or other similar words. The statements regarding (i) estimated capital expenditures as a result of the required audits or required operational changes included in our settlement with the Louisiana Department of Environmental Quality (“LDEQ”) or other environmental and regulatory liabilities, (ii) our anticipated levels of, use and effectiveness of derivatives to mitigate our exposure to crude oil price changes and fuel products price changes and (iii) our ability to meet our financial commitments, minimum quarterly distributions to our unitholders, debt service obligations, debt instrument covenants, contingencies and anticipated capital expenditures, as well as other matters discussed in this Quarterly Report that are not purely historical data, are forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in (1) Part I Item 3 “Quantitative and Qualitative Disclosures About Market Risk” and Part I Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (“2011 Annual Report”) and (2) Part II Item 1A Risk Factors in this Quarterly Report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

References in this Quarterly Report to “Calumet Specialty Products Partners, L.P.,” “the Company,” “we,” “our,” “us” or like terms refer to Calumet Specialty Products Partners, L.P. and its subsidiaries. References in this Quarterly Report to “our general partner” refer to Calumet GP, LLC, the general partner of Calumet Specialty Products Partners, L.P.

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## PART I

## Item 1. Financial Statements

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (Unaudited)	December 31, 2011
	(In thousands, except unit data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 190,538	\$ 64
Accounts receivable:		
Trade	261,142	208,928
Other	2,999	3,137
	264,141	212,065
Inventories	494,112	497,740
Derivative assets	—	58,502
Prepaid expenses and other current assets	10,315	8,179
Deposits	3,949	2,094
Total current assets	963,055	778,644
Property, plant and equipment, net	863,364	842,101
Goodwill	161,150	48,335
Other intangible assets, net	203,752	22,675
Other noncurrent assets, net	47,840	40,303
Total assets	\$2,239,161	\$ 1,732,058
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current liabilities:		
Accounts payable	\$ 336,034	\$ 302,826
Accrued interest payable	30,843	10,500
Accrued salaries, wages and benefits	19,507	13,481
Taxes payable	16,710	13,068
Other current liabilities	9,202	4,600
Current portion of long-term debt	783	551
Derivative liabilities	95,802	43,581
Total current liabilities	508,881	388,607
Pension and postretirement benefit obligations	18,315	26,957
Other long-term liabilities	1,132	1,055
Long-term debt, less current portion	862,513	586,539
Total liabilities	1,390,841	1,003,158
Commitments and contingencies		
Partners' capital:		
Limited partners' interest (57,529,778 and 51,529,778 units issued and outstanding, respectively, at September 30, 2012 and December 31, 2011)	877,258	666,471
General partner's interest	29,740	23,902
Accumulated other comprehensive income (loss)	(58,678	) 38,527
Total partners' capital	848,320	728,900
Total liabilities and partners' capital	\$2,239,161	\$ 1,732,058
See accompanying notes to unaudited condensed consolidated financial statements.		



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per unit data)			
Sales	\$1,179,818	\$777,780	\$3,436,400	\$2,116,790
Cost of sales	1,021,412	681,179	3,064,942	1,922,760
Gross profit	158,406	96,601	371,458	194,030
Operating costs and expenses:				
Selling	15,002	2,809	26,668	8,220
General and administrative	12,810	11,339	41,333	26,923
Transportation	28,404	23,696	80,903	69,462
Taxes other than income taxes	1,723	1,683	5,371	4,246
Insurance recoveries	—	—	—	(8,698)
Other	1,613	543	4,856	1,781
Operating income	98,854	56,531	212,327	92,096
Other income (expense):				
Interest expense	(24,271)	(12,577)	(61,247)	(30,602)
Debt extinguishment costs	—	—	—	(15,130)
Realized gain (loss) on derivative instruments	(10,156)	(3,814)	20,486	(5,798)
Unrealized loss on derivative instruments	(22,101)	(20,335)	(11,337)	(23,876)
Other	268	45	382	148
Total other expense	(56,260)	(36,681)	(51,716)	(75,258)
Net income before income taxes	42,594	19,850	160,611	16,838
Income tax expense	178	236	610	674
Net income	\$42,416	\$19,614	\$160,001	\$16,164
Allocation of net income:				
Net income	\$42,416	\$19,614	\$160,001	\$16,164
Less:				
General partner's interest in net income	848	392	3,200	323
General partner's incentive distribution rights	1,637	40	3,256	40
Nonvested share based payments	262	—	947	—
Net income available to limited partners	\$39,669	\$19,182	\$152,598	\$15,801
Weighted average limited partner units outstanding:				
Basic	57,746	41,828	54,827	39,352
Diluted	57,826	41,837	54,867	39,368
Limited partners' interest basic and diluted net income per unit	\$0.69	\$0.46	\$2.78	\$0.40
Cash distributions declared per limited partner unit	\$0.59	\$0.50	\$1.68	\$1.45

See accompanying notes to unaudited condensed consolidated financial statements.

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## CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended September 30, 2012		For the Nine Months Ended September 30, 2011	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
Net income	\$42,416	\$19,614	\$160,001	\$16,164
Other comprehensive loss:				
Cash flow hedges:				
Cash flow hedge loss reclassified to net income	41,766	34,350	137,797	81,294
Change in fair value of cash flow hedges	(83,391 )	(37,762 )	(236,279 )	(180,537 )
Defined benefit pension and retiree health benefit plans	1,009	61	1,277	183
Total other comprehensive loss	(40,616 )	(3,351 )	(97,205 )	(99,060 )
Comprehensive income (loss) attributable to partners' capital	\$1,800	\$16,263	\$62,796	\$(82,896 )

See accompanying notes to unaudited condensed consolidated financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	Accumulated Other Comprehensive Income (Loss) (In thousands)	Partners' Capital General Partner	Limited Partners	Total
Balance at December 31, 2011	\$38,527	\$23,902	\$666,471	\$728,900
Other comprehensive loss	(97,205 )	—	—	(97,205 )
Net income	—	6,456	153,545	160,001
Units repurchased for phantom unit grants	—	—	(2,110 )	(2,110 )
Issuance of phantom units	—	—	1,648	1,648
Amortization of vested phantom units	—	—	1,610	1,610
Proceeds from public offering of common units, net	—	—	146,558	146,558
Contributions from Calumet GP, LLC	—	3,122	—	3,122
Distributions to partners	—	(3,740 )	(90,464 )	(94,204 )
Balance at September 30, 2012	\$(58,678 )	\$29,740	\$877,258	\$848,320

See accompanying notes to unaudited condensed consolidated financial statements.

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CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended  
September 30,