Westlake Chemical Partners LP
Form 10-Q
August 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
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 No. 001-36567

Westlake Chemical Partners LP
(Exact name of Registrant as specified in its charter)

Delaware	32-0436529
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2801 Post Oak Boulevard, Suite 600
Houston, Texas 77056
(Address of principal executive offices, including zip code)
(713) 585-2900
(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. Yes x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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

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

The registrant had 14,373,615 common units and 12,686,115 subordinated units outstanding as of August 2, 2016.

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
WESTLAKE CHEMICAL PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2016	December 31, 2015
	(in thousands of dollars, except unit amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$151,257	$169,559
Accounts receivable—Westlake Chemical Corporation ("Westlake")	59,118	39,655
Accounts receivable, net—third parties	9,620	11,927
Inventories	2,493	3,879
Prepaid expenses and other current assets	73	267
Total current assets	222,561	225,287
Property, plant and equipment, net	1,203,249	1,020,469
Receivable from Westlake	28,248	—
Other assets, net		
Goodwill	5,814	5,814
Deferred charges and other assets, net	92,362	38,779
Total other assets, net	98,176	44,593
Total assets	$1,552,234	$1,290,349
LIABILITIES		
Current liabilities		
Accounts payable—Westlake	$26,558	$15,550
Accounts payable—third parties	67,167	18,737
Accrued liabilities	77,069	23,407
Total current liabilities	170,794	57,694
Long-term debt payable to Westlake	515,338	384,006
Deferred income taxes	1,712	1,392
Other liabilities	640	90
Total liabilities	688,484	443,182
Commitments and contingencies (Notes 9 and 15)		
EQUITY		
Common unitholders—public (12,937,500 units issued and outstanding)	296,704	294,565
Common unitholder—Westlake (1,436,115 units issued and outstanding)	4,739	4,502
Subordinated unitholder—Westlake (12,686,115 units issued and outstanding)	41,882	39,786
General partner—Westlake	(242,526)	(242,572)
Accumulated other comprehensive (loss) income	(624)	280
Total Westlake Chemical Partners LP partners' capital	100,175	96,561
Noncontrolling interest in Westlake Chemical OpCo LP ("OpCo")	763,575	750,606
Total equity	863,750	847,167
Total liabilities and equity	$1,552,234	$1,290,349

The accompanying notes are an integral part of these consolidated financial statements.

1

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands of dollars, except unit amounts and per unit data)			
Revenue				
Net sales—Westlake	$181,635	$204,669	$412,895	$413,582
Net co-product, ethylene and other sales—third parties	29,206	47,036	50,550	96,514
Total net sales	210,841	251,705	463,445	510,096
Cost of sales	122,460	157,177	264,650	319,341
Gross profit	88,381	94,528	198,795	190,755
Selling, general and administrative expenses	5,848	5,995	11,945	11,995
Income from operations	82,533	88,533	186,850	178,760
Other income (expense)				
Interest expense—Westlake	(1,203)	(1,364)	(2,434)	(2,740)
Other income, net	159	33	243	38
Income before income taxes	81,489	87,202	184,659	176,058
Provision for (benefit from) income taxes	297	(41)	696	426
Net income	81,192	87,243	183,963	175,632
Less: Net income attributable to noncontrolling interest in OpCo	71,848	76,800	162,535	156,689
Net income attributable to Westlake Chemical Partners LP	$9,344	$10,443	$21,428	$18,943
Net income per limited partner unit attributable to Westlake Chemical Partners LP (basic and diluted)				
Common units	$0.34	$0.39	$0.79	$0.70
Subordinated units	$0.34	$0.39	$0.79	$0.70
Weighted average limited partner units outstanding (basic and diluted)				
Common units—public	12,937,500	12,937,500	12,937,500	12,937,500
Common units—Westlake	1,436,115	1,436,115	1,436,115	1,436,115
Subordinated units—Westlake	12,686,115	12,686,115	12,686,115	12,686,115

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands of dollars)			
Net income	$81,192	$87,243	$183,963	$175,632
Other comprehensive loss				
Cash flow hedge				
Interest rate contract				
Change in fair value of cash flow hedge	(267)	—	(1,094)	—
Reclassification of loss to net income	94	—	190	—
Total other comprehensive loss	(173)	—	(904)	—
Comprehensive income	81,019	87,243	183,059	175,632
Comprehensive income attributable to noncontrolling interest in OpCo	71,848	76,800	162,535	156,689
Comprehensive income attributable to Westlake Chemical Partners LP	$9,171	$10,443	$20,524	$18,943

The accompanying notes are an integral part of these consolidated financial statements.

3

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Common Unitholders—Public	Common Unitholder—Westlake	Subordinated Unitholder—Westlake	General Partner—Westlake	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in OpCo	Total
	(in thousands of dollars)						
Balances at December 31, 2014	$290,377	$4,038	$35,681	$(242,572)	$—	$747,426	$834,950
Net income	9,057	1,005	8,881	—	—	156,689	175,632
Quarterly distributions to unitholders	(7,218)	(801)	(7,078)	—	—	—	(15,097)
Quarterly distribution to noncontrolling interest retained in OpCo by Westlake	—	—	—	—	—	(169,101)	(169,101)
Balances at June 30, 2015	$292,216	$4,242	$37,484	$(242,572)	$—	$735,014	$826,384
Balances at December 31, 2015	$294,565	$4,502	$39,786	$(242,572)	$280	$750,606	$847,167
Net income	10,222	1,135	10,023	48	—	162,535	183,963
Net effect of cash flow hedge	—	—	—	—	(904)	—	(904)
Quarterly distributions to unitholders	(8,083)	(898)	(7,927)	(2)	—	—	(16,910)
Quarterly distribution to noncontrolling interest retained in OpCo by Westlake	—	—	—	—	—	(149,566)	(149,566)
Balances at June 30, 2016	$296,704	$4,739	$41,882	$(242,526)	$(624)	$763,575	$863,750

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2016	2015
	(in thousands of dollars)	
Cash flows from operating activities		
Net income	$183,963	$175,632
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	41,182	40,195
Provision for doubtful accounts	37	170
Loss from disposition of property, plant and equipment	2,467	124
Deferred income taxes	320	(234)
Changes in operating assets and liabilities		
Accounts receivable—third parties	2,270	15,275
Net accounts receivable—Westlake	(36,703)	(10,300)
Inventories	1,386	2,778
Prepaid expenses and other current assets	194	182
Accounts payable	24,833	4,407
Accrued and other liabilities	26,905	2,379
Other, net	(61,577)	(709)
Net cash provided by operating activities	185,277	229,899
Cash flows from investing activities		
Additions to property, plant and equipment	(168,533)	(95,514)
Proceeds from disposition of assets	98	—
Net cash used for investing activities	(168,435)	(95,514)
Cash flows from financing activities		
Proceeds from debt payable to Westlake	131,832	188,695
Repayment of debt payable to Westlake	(500)	(135,341)
Quarterly distributions to noncontrolling interest retained in OpCo by Westlake	(149,566)	(169,101)
Quarterly distributions to unitholders	(16,910)	(15,097)
Net cash used for financing activities	(35,144)	(130,844)
Net (decrease) increase in cash and cash equivalents	(18,302)	3,541
Cash and cash equivalents at beginning of period	169,559	133,750
Cash and cash equivalents at end of period	$151,257	$137,291

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

1. Description of Business and Basis of Presentation

Description of Business

Westlake Chemical Partners LP (the "Partnership") is a Delaware limited partnership formed in March 2014 to operate, acquire and develop facilities and related assets for the processing of natural gas liquids. On August 4, 2014, the Partnership completed its initial public offering (the "IPO") of 12,937,500 common units representing limited partner interests. In connection with the IPO, the Partnership acquired a 10.6% interest in Westlake Chemical OpCo LP ("OpCo") and a 100% interest in Westlake Chemical OpCo GP LLC ("OpCo GP"), which is the general partner of OpCo. On April 29, 2015, the Partnership purchased an additional 2.7% newly-issued limited partner interest in OpCo for approximately $135,341, resulting in an aggregate 13.3% limited partner interest in OpCo effective April 1, 2015. OpCo owns three natural gas liquids processing facilities and a common carrier ethylene pipeline.

Basis of Presentation

The accompanying unaudited consolidated interim financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim periods. Accordingly, certain information and footnotes required for complete financial statements under generally accepted accounting principles in the United States ("U.S. GAAP") have not been included. These interim consolidated financial statements should be read in conjunction with the December 31, 2015 combined and consolidated financial statements and notes thereto of the Partnership included in the annual report on Form 10-K for the fiscal year ended December 31, 2015 (the "2015 Form 10-K"), filed with the SEC on March 8, 2016. These financial statements have been prepared in conformity with the accounting principles and practices as disclosed in the notes to the combined and consolidated financial statements of the Partnership for the fiscal year ended December 31, 2015.

References to "Westlake" refer collectively to Westlake Chemical Corporation and its subsidiaries, other than the Partnership, OpCo and OpCo GP.

The Partnership holds a 13.3% limited partner interest and the entire non-economic general partner interest in OpCo. The remaining 86.7% limited partner interest in OpCo is owned by Westlake, which has no rights to direct the activities that most significantly impact the economic performance of OpCo. As a result of the fact that substantially all of OpCo's activities are conducted on behalf of Westlake, and the fact that OpCo exhibits disproportionality of voting rights to economic interest, OpCo was deemed to be a variable interest entity. The Partnership, through its ownership of OpCo's general partner, has the power to direct the activities that most significantly impact the economic performance of OpCo, and it also has the obligation or right to absorb losses or receive benefits from OpCo that could potentially be significant to OpCo. As such, the Partnership was determined to be OpCo's primary beneficiary and therefore consolidates OpCo's results of operations and financial position. The Partnership’s operations consist exclusively of the variable interest entity’s operations and, as such, no additional variable interest entity disclosures are considered necessary. Westlake's retained interest of 86.7% is recorded as noncontrolling interest in the Partnership's consolidated financial statements.

In the opinion of the Partnership's management, the accompanying unaudited consolidated interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Partnership's financial position as of June 30, 2016, its results of operations for the three and six months ended June 30, 2016 and 2015 and the changes in its cash position for the six months ended June 30, 2016 and 2015.

Results of operations and changes in cash position for the interim periods presented are not necessarily indicative of the results that will be realized for the fiscal year ending December 31, 2016 or any other interim period. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ materially from those estimates.

WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

Recent Accounting Pronouncements

Revenue from Contracts with Customers (ASU No. 2014-09)

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update on a comprehensive new revenue recognition standard that will supersede the existing revenue recognition guidance. The new accounting guidance creates a framework by which an entity will allocate the transaction price to separate performance obligations and recognize revenue when each performance obligation is satisfied. Under the new standard, entities will be required to use judgment and make estimates, including identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price, allocating the transaction price to each separate performance obligation and determining when an entity satisfies its performance obligations. The standard allows for either "full retrospective" adoption, meaning that the standard is applied to all of the periods presented with a cumulative catch-up as of the earliest period presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements with a cumulative catch-up as of the current period. In 2016, the FASB issued various additional authoritative guidance for the new revenue recognition standard. The accounting standard will be effective for reporting periods beginning after December 15, 2017. The Partnership is in the process of evaluating the impact that the new accounting guidance will have on its consolidated financial position, results of operations and cash flows.

Leases (ASU No. 2016-02)

In February 2016, the FASB issued an accounting standards update on a new lease standard that will supersede the existing lease guidance. The standard requires a lessee to recognize assets and liabilities related to long-term leases that are classified as operating leases under current guidance on its balance sheet. An asset would be recognized related to the right to use the underlying asset and a liability would be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures related to leases. The accounting standard will be effective for reporting periods beginning after December 15, 2018. The Partnership is in the process of evaluating the impact that the new accounting guidance will have on its consolidated financial position, results of operations and cash flows.

Stock Compensation (ASU No. 2016-09)

In March 2016, the FASB issued an accounting standards update to simplify several aspects of the accounting for share-based payment transactions, including income tax consequences, classifications of awards as either equity or liabilities and certain related classifications on the statement of cash flows. In addition, the new guidance permits entities to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required today, or recognized when they occur. The accounting standard is effective for reporting periods beginning after December 15, 2016 and is not expected to have an impact on the Partnership's consolidated financial position, results of operations and cash flows.

Credit Losses (ASU No. 2016-13)

In June 2016, the FASB issued an accounting standards update providing new guidance for the accounting for credit losses on loans and other financial instruments. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. The standard also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The accounting standard will be effective for reporting periods beginning after December 15, 2019. The Partnership is in the process of evaluating the impact that the new accounting guidance will have on its consolidated financial position, results of operations and cash flows.

2. Financial Instruments

Cash Equivalents

The Partnership had $29,994 of held-to-maturity securities with original maturities of three months or less, primarily consisting of corporate debt securities, classified as cash equivalents at June 30, 2016. The Partnership's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. There were no held-to-maturity securities, classified as cash equivalents, at December 31, 2015.

Table of Contents
WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

3. Accounts Receivable—Third Parties

Accounts receivable—third parties consist of the following:

	June 30, 2016	December 31, 2015
Trade customers	$ 9,827	$ 12,097
Allowance for doubtful accounts	(207)	(170)
Accounts receivable, net—third parties	$ 9,620	$ 11,927

4. Inventories

Inventories consist of the following:

	June 30, 2016	December 31, 2015
Finished products	$ 2,259	$ 3,527
Feedstock, additives and chemicals	234	352
Inventories	$ 2,493	$ 3,879

5. Property, Plant and Equipment

As of June 30, 2016, the Partnership had property, plant and equipment, net totaling $1,203,249. The Partnership assesses these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, including when negative conditions such as significant current or projected operating losses exist. Other factors considered by the Partnership when determining if an impairment assessment is necessary include, but are not limited to, significant changes or projected changes in supply and demand fundamentals (which would have a negative impact on operating rates or margins), new technological developments, new competitors with significant raw material or other cost advantages, adverse changes associated with the U.S. and world economies and uncertainties associated with governmental actions. Long-lived assets assessed for impairment are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Depreciation expense on property, plant and equipment of $17,094 and $16,182 is included in cost of sales in the consolidated statements of operations for the three months ended June 30, 2016 and 2015, respectively. Depreciation expense on property, plant and equipment of $33,647 and $31,775 is included in cost of sales in the consolidated statements of operations for the six months ended June 30, 2016 and 2015, respectively.

WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

6. Other Assets

Other assets consist of the following:

	June 30, 2016			December 31, 2015		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangible asset—Goodwill	$5,814	$ —	$5,814	$5,814	$ —	$5,814
Deferred charges and other assets, net						
Interest rate contract	—	—	—	436	—	436
Turnaround costs	138,924	(52,347)	86,577	100,020	(67,767)	32,253
Other	8,710	(2,925)	5,785	8,710	(2,620)	6,090
Total deferred charges and other assets, net	147,634	(55,272)	92,362	109,166	(70,387)	38,779
Other assets, net	$153,448	$ (55,272)	$98,176	$114,980	$ (70,387)	$44,593

Amortization expense on other assets of $3,692 and $4,210 is included in the consolidated statements of operations for the three months ended June 30, 2016 and 2015, respectively. Amortization expense on other assets of $7,535 and $8,420 is included in the consolidated statements of operations for the six months ended June 30, 2016 and 2015, respectively.

7. Distributions and Net Income Per Limited Partner Unit

On July 27, 2016, the board of directors of Westlake Chemical Partners GP LLC ("Westlake GP"), the Partnership's general partner, declared a quarterly cash distribution for the period from April 1, 2016 through June 30, 2016 of $0.3259 per unit and of $46 to the holders of the Partnership's incentive distribution rights ("IDR Holders"). This distribution is payable on August 23, 2016 to unitholders and IDR Holders of record as of August 9, 2016.

The Partnership Agreement provides that the Partnership will distribute cash each quarter during the subordination period in the following manner: first, to the holders of common units, until each common unit has received the minimum quarterly distribution of $0.2750, plus any arrearages from prior quarters; second, to the holders of subordinated units, until each subordinated unit has received the minimum quarterly distribution of $0.2750; and third, to the holders of common and subordinated units, pro-rata, until each unit has received a distribution of $0.3163. If cash distributions to the Partnership's unitholders exceed $0.3163 per common unit and subordinated unit in any quarter, the Partnership's unitholders and Westlake, as the holder of the Partnership's incentive distribution rights, will receive distributions according to the following percentage allocations:

	Marginal Percentage Interest in Distributions	
Total Quarterly Distribution Per Unit	Unitholders	IDR Holders
Above $0.3163 up to $0.3438	85.0%	15.0 %
Above $0.3438 up to $0.4125	75.0%	25.0 %
Above $0.4125	50.0%	50.0 %

For the three months ended June 30, 2016, the Partnership's distribution exceeded the $0.3163 per common and subordinated unit target, which resulted in distributions to the IDR Holders.

The distributions are declared subsequent to quarter end; therefore, the table below represents total cash distributions and the related periods pertaining to such distributions.

9

WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income attributable to the Partnership	$9,344	$10,443	$21,428	$18,943
Less:				
Limited partners' distribution declared on common units	4,684	4,183	9,238	8,248
Limited partners' distribution declared on subordinated units	4,134	3,691	8,153	7,281
Distribution declared with respect to the incentive distribution rights	46	—	48	—
Net income in excess of distribution	$480	$2,569	$3,989	$3,414

Net income per unit applicable to common limited partner units and to subordinated limited partner units is computed by dividing the respective limited partners' interest in net income by the weighted-average number of common units and subordinated units outstanding for the period. Because the Partnership has more than one class of participating securities, it uses the two-class method when calculating the net income per unit applicable to limited partners. The classes of participating securities include common units, subordinated units and incentive distribution rights. Net income attributable to the Partnership is allocated to the unitholders in accordance with their respective ownership percentages in preparation of the consolidated statement of equity. However, when distributions related to the incentive distribution rights are made; net income equal to the amount of those distributions is first allocated to the general partner before the remaining net income is allocated to the unitholders based on their respective ownership percentages. Basic and diluted net income per unit is the same because the Partnership does not have any potentially dilutive units outstanding for the periods presented.

	Three Months Ended June 30, 2016			
	Limited Partners Common Units	Limited Partners' Subordinated Units	Incentive Distribution Rights	Total
Net income attributable to the Partnership:				
Distribution declared	$4,684	$ 4,134	$ 46	$ 8,864
Net income in excess of distribution	255	225	—	480
Net income	$4,939	$ 4,359	$ 46	$ 9,344
Weighted average units outstanding:				
Basic and diluted	14,373,615	12,686,115		27,059,730
Net income per limited partner unit:				
Basic and diluted	$0.34	$ 0.34		

	Three Months Ended June 30, 2015			
	Limited Partners Common Units	Limited Partners' Subordinated Units	Incentive Distribution Rights	Total
Net income attributable to the Partnership:				
Distribution declared	$4,183	$ 3,691	$ —	$ 7,874
Net income in excess of distribution	1,365	1,204	—	2,569

Net income	$5,548	$ 4,895	$ —	$ 10,443
Weighted average units outstanding:				
Basic and diluted	14,373,615	12,686,115		27,059,730
Net income per limited partner unit:				
Basic and diluted	$0.39	$ 0.39		

10

WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

	Six Months Ended June 30, 2016			
	Limited Partners' Common Units	Limited Partners' Subordinated Units	Incentive Distribution Rights	Total
Net income attributable to the Partnership:				
Distribution declared	$9,238	$ 8,153	$ 48	$ 17,439
Net income in excess of distribution	2,119	1,870	—	3,989
Net income	$11,357	$ 10,023	$ 48	$ 21,428
Weighted average units outstanding:				
Basic and diluted	14,373,615	12,686,115		27,059,730
Net income per limited partner unit:				
Basic and diluted	$0.79	$ 0.79		

	Six Months Ended June 30, 2015			
	Limited Partners' Common Units	Limited Partners' Subordinated Units	Incentive Distribution Rights	Total
Net income attributable to the Partnership:				
Distribution declared	$8,248	$ 7,281	$ —	$ 15,529
Net income in excess of distribution	1,816	1,598	—	3,414
Net income	$10,064	$ 8,879	$ —	$ 18,943
Weighted average units outstanding:				
Basic and diluted	14,373,615	12,686,115		27,059,730
Net income per limited partner unit:				
Basic and diluted	$0.70	$ 0.70		

8. Related Party Transactions
The Partnership and OpCo regularly enter into related party transactions with Westlake. See below for a description of transactions with related parties.
Sales to Related Parties
OpCo sells ethylene to Westlake under the Ethylene Sales Agreement. Additionally, the Partnership and OpCo from time to time provide other services or products for which each charges Westlake a fee.
Sales to related parties were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales—Westlake	$181,635	$204,669	$412,895	$413,582

Cost of Sales from Related Parties
Charges for goods and services purchased by the Partnership and OpCo from Westlake and included in cost of sales relate primarily to feedstock purchased under the Feedstock Supply Agreement and services provided under the Services and Secondment Agreement.

Table of Contents
WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

Charges from related parties in cost of sales were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Feedstock purchased from Westlake and included in cost of sales	$51,373	$76,013	$117,481	$156,832
Other charges from Westlake and included in cost of sales	19,665	19,595	40,118	33,491
Total	$71,038	$95,608	$157,599	$190,323

Services from Related Parties Included in Selling, General and Administrative Expenses
Charges for services purchased by the Partnership from Westlake and included in selling, general and administrative expenses primarily relate to services Westlake performs on behalf of the Partnership under the Omnibus Agreement, including the Partnership's finance, legal, information technology, human resources, communication, ethics and compliance, and other administrative functions.
Charges from related parties included within selling, general and administrative expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Services received from Westlake and included in selling, general and administrative expenses	$5,003	$4,971	$10,471	$10,119

Goods and Services from Related Parties Capitalized as Assets
Charges for goods and services purchased by the Partnership and OpCo from Westlake which were capitalized as assets relate primarily to the services of Westlake employees under the Services and Secondment Agreement.
Charges from related parties for goods and services capitalized as assets were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Goods and services purchased from Westlake and capitalized as assets	$11,074	$975	$13,081	$1,937

Accounts Receivable from and Accounts Payable to Related Parties
The Partnership's accounts receivable from Westlake result primarily from ethylene sales to Westlake and the shortfall recoverable from Westlake under the Ethylene Sales Agreement. Under the Ethylene Sales Agreement, if production costs billed to Westlake on an annual basis are less than 95% of the actual production costs incurred by OpCo during the year, OpCo is entitled to recover the shortfall in the subsequent year. The shortfall is recognized in the period when such production activities occur. The Partnership's accounts payable to Westlake result primarily from feedstock purchases under the Feedstock Supply Agreement and services provided under the Services and Secondment Agreement and the Omnibus Agreement.
The related party accounts receivable and accounts payable balances were as follows:

	June 30, 2016	December 31, 2015
Accounts receivable—Westlake, current and non-current	$87,366	$ 39,655
Accounts payable—Westlake	(26,558)	(15,550)

Table of Contents
WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

Debt Payable to Related Parties

In connection with the IPO, OpCo assumed promissory notes payable to Westlake ("the August 2013 Promissory Notes") and entered into a senior unsecured revolving credit facility with Westlake. In April 2015, the Partnership entered into an unsecured revolving credit facility with Westlake. See Note 9 for a description of related party debt payable balances. Interest on related party debt payable balances for the three months ended June 30, 2016 and 2015 were $1,203 and $1,364, respectively, and for the six months ended June 30, 2016 and 2015 were $2,434 and $2,740, respectively. Interest on related party debt payable is presented as interest expense—Westlake in the consolidated statements of operations. Interest capitalized as a component of plant and equipment on related party debt was $3,050 and $895 for the three months ended June 30, 2016 and 2015, respectively, and $5,436 and $2,110 for the six months ended June 30, 2016 and 2015, respectively. At June 30, 2016 and December 31, 2015, accrued interest on related party debt was $4,236 and $2,879, respectively, and is reflected as a component of accrued liabilities in the consolidated balance sheets.

Debt payable to related parties was as follows:

	June 30, 2016	December 31, 2015
Long-term debt payable to Westlake	$515,338	$ 384,006

General

OpCo, together with other subsidiaries of Westlake not included in these consolidated financial statements, are guarantors under Westlake's revolving credit facility and the indentures governing its senior notes. As of June 30, 2016 and December 31, 2015, Westlake had outstanding letters of credit totaling $18,545 and $30,098, respectively, under its revolving credit facility and $754,000 principal amount outstanding under its senior notes (less the unamortized discount and debt issuance costs of $6,436 and $6,741, as of June 30, 2016 and December 31, 2015, respectively).

The indentures governing Westlake's senior notes prevent OpCo from making distributions to the Partnership if any default or event of default (as defined in the indentures) exists. However, Westlake's credit facility does not prevent OpCo from making distributions to the Partnership.

In 2015, the Partnership entered into an interest rate contract with Westlake to fix the London Interbank Offered Rate ("LIBOR") component of the interest rate for a portion of the MLP Revolver balance. See Note 11 for additional information on the interest rate contract.

OpCo has two site lease agreements with Westlake, and each has a term of 50 years. Pursuant to the site lease agreements, OpCo pays Westlake one dollar per site per year.

9. Long-term Debt Payable to Westlake

Long-term debt payable to Westlake consists of the following:

	June 30, 2016	December 31, 2015
August 2013 Promissory Notes (variable interest rate of prime plus 1.5%, original scheduled maturity of August 1, 2023)	$31,775	$ 31,775
OpCo Revolver (variable interest rate of LIBOR plus 3.0%, original scheduled maturity of August 4, 2019)	348,222	216,890
MLP Revolver (variable interest rate of LIBOR plus 2.0%, original scheduled maturity of April 29, 2018)	135,341	135,341
	$515,338	$ 384,006

The weighted average interest rate on all long-term debt was 3.45% and 3.30% at June 30, 2016 and December 31, 2015, respectively.

As of June 30, 2016, the Partnership was in compliance with all of the covenants under the August 2013 Promissory Notes, the OpCo Revolver and the MLP Revolver.

Table of Contents
WESTLAKE CHEMICAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued
(Unaudited)
(in thousands of dollars, except unit amounts and per unit data)

10. Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive income or loss primarily reflects the effective portion of the gain or loss on derivative instrument designated and qualified as a cash flow hedge. Gain or loss amounts related to a cash flow hedge recorded in accumulated other comprehensive income or loss are reclassified to income in the same period in which the underlying hedged forecasted transaction affects income. If it becomes probable that a forecasted transaction will not occur, the related net gain or loss in accumulated other comprehensive income or loss is immediately reclassified into income.

The following sets forth the changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2016:

	Six Months Ended June 30, 2016
Balances at December 31, 2015	$ 280
Interest rate contract—Other comprehensive loss before reclassification	(1,094)
Interest rate contract—Amounts reclassified from accumulated other comprehensive loss into net income	190
Balances at June 30, 2016	$ (624)

11. Derivative Instruments

The accounting guidance for derivative instruments and hedging activities requires that the Partnership recognize all derivative instruments on the balance sheet at fair value, and changes in the derivative's fair value must be currently recognized in earnings or comprehensive income, depending on the designation of the d