

KNOT Offshore Partners LP
Form 6-K
December 09, 2014
[Table of Contents](#)

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
Commission File Number: 001-35866

KNOT OFFSHORE PARTNERS LP
(Translation of registrant's name into English)

2 Queen's Cross,
Aberdeen, Aberdeenshire

AB15 4YB

United Kingdom

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ☐ No ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ☐ No ☒

Table of Contents

KNOT OFFSHORE PARTNERS LP

REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

Table of Contents

	Page
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013</u>	3
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2014 and 2013</u>	4
<u>Unaudited Condensed Consolidated and Combined Carve-Out Balance Sheets as of September 30, 2014 and December 31, 2013</u>	5
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Changes in Partners Capital/Owner's Equity for the Nine Months Ended September 30, 2014 and 2013</u>	6
<u>Unaudited Condensed Consolidated and Combined Carve-Out Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u>	8
<u>Notes to Unaudited Condensed Consolidated and Combined Carve-Out Financial Statements</u>	9
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Forward-Looking Statements</u>	43
<u>Exhibits</u>	45
<u>Signatures</u>	46
THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE REGISTRATION STATEMENT ON FORM F-3 (NO. 333-195976) ORIGINALLY FILED WITH THE SEC ON MAY 15, 2014.	

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Operations

For the Three and Nine Months Ended September 30, 2014 and 2013

(In US \$ thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Time charter and bareboat revenues	34,247	20,454	78,129	50,934
Loss of hire insurance recoveries				250
Other income	18		29	
Total revenues (note 4, 5 and 10)	34,265	20,454	78,158	51,184
Operating expenses: (note 10)				
Vessel operating expenses	7,601	3,830	16,522	9,861
Depreciation and amortization	10,201	6,304	23,763	16,984
General and administrative expenses	987	960	3,491	4,359
Total operating expenses	18,789	11,094	43,776	31,204
Operating income	15,476	9,360	34,382	19,980
Finance income (expense) (note 10):				
Interest income	0	16	4	25
Interest expense	(4,014)	(2,653)	(10,583)	(7,941)
Other finance expense	(96)	(150)	(1,231)	(1,798)
Realized and unrealized gain (loss) on derivative instruments (note 6)	1,128	(252)	(1,168)	(339)
Net gain (loss) on foreign currency transactions	68	31	80	173
Total finance expense	(2,914)	(3,008)	(12,898)	(9,880)
Income before income taxes	12,562	6,532	21,484	10,100
Income tax benefit (expense) (note 9)	1	5		(2,938)
Net income	12,563	6,357	21,484	7,162
General Partner's interest in net income	246	127	424	143
Limited Partner's interest in net income	12,317	6,230	21,060	7,019
Earnings per unit (note 12)*:				
Common unit (basic and diluted)	\$ 0.544	\$ 0.363	\$ 1.156	\$ 0.611
Subordinated unit (basic and diluted)	\$ 0.570	\$ 0.364	\$ 1.064	\$ 0.613
General Partner unit (basic and diluted)	\$ 0.542	\$ 0.363	\$ 1.099	\$ 0.611

Cash distributions declared per unit	\$ 0.490	\$ 0.435	\$ 1.360	\$ 0.752
--------------------------------------	----------	----------	----------	----------

* Earnings per unit information for the nine months ended September 30, 2013 is in respect of the period from the date of the Partnership's IPO (April 15, 2013) to September 30, 2013.

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents

KNOT OFFSHORE PARTNERS LP

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2014 and 2013

(In US \$ thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	12,563	6,357	21,484	7,162
Other comprehensive income, net of tax				
Comprehensive income	12,563	6,357	21,484	7,162

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Balance Sheets

As of September 30, 2014 and December 31, 2013

(In US \$ thousands)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (note 7)	44,439	28,836
Restricted cash (note 7)		458
Trade accounts receivable, less allowance for doubtful accounts of \$0 in September 30, 2014 and \$0 in December 31, 2013	1,710	
Amounts due from related parties (note 10)	16	77
Inventories	942	578
Derivative assets (note 6 and 7)		248
Other current assets	4,241	1,814
Total current assets	51,348	32,011
Long-term assets:		
Vessels and equipment:		
Vessels	1,027,861	692,926
Less accumulated depreciation and amortization	(98,904)	(75,141)
Net property, plant, and equipment	928,957	617,785
Goodwill	6,217	5,750
Deferred debt issuance cost	3,069	2,010
Derivative assets (note 6 and 7)	4,852	2,617
Total assets	994,443	660,173
Liabilities and Partners' Capital/Owner's Equity		
Current liabilities:		
Trade accounts payable	1,115	1,107
Accrued expenses	3,307	2,642
Current installments of long-term debt (note 7 and 8)	39,018	29,269
Derivative liabilities (note 6 and 7)	4,155	2,124
Income taxes payable (note 9)	178	743
Contract liabilities	1,518	1,518
Prepaid charter and deferred revenue	3,978	4,471
Amounts due to related parties (note 10)	753	163

Total current liabilities	54,022	42,037
Long-term liabilities:		
Long-term debt, excluding current installments (note 7 and 8)	497,176	310,359
Derivative liabilities (note 6 and 7)		
Contract liabilities	11,655	12,793
Deferred tax liabilities (note 9)	2,023	2,141
Long term debt from related parties		10,349
Other long-term liabilities	4,649	567
Total liabilities	569,525	378,246
Commitments and contingencies (note 11)		
Equity:		
Partners' capital:		
Common unitholders	310,902	168,773
Subordinated unitholders	105,763	107,857
General partner interest	8,253	5,297
Total Partners' capital	424,918	281,927
Total liabilities and equity	994,443	660,173

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

Table of Contents**KNOT OFFSHORE PARTNERS LP**

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Changes in Partners' Capital /

Owner's Equity for the Nine Months Ended September 30, 2014 and 2013

(In US \$ thousands)

	Partners' Capital				Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital / Owner's Equity
	Owner's Invested Equity	Common Units	Subordinated Units	General Partner		
Combined carve-out balance at December 31, 2012	97,194					97,194
Combined carve-out net loss (Jan 1 to April 15, 2013)	(3,538)					(3,538)
Combined carve-out other comprehensive income (loss)						
Movement in invested equity	10,882					10,882
Combined carve-out balance at April 15, 2013	104,538					104,538
Elimination of equity not transferred to the Partnership (Note 2)	27,792					27,792
Allocation of Partnership capital to unitholders	(132,330)		127,141	5,189		
Proceeds from initial public offering (8,567,500 common units, including 1,117,500 common units pursuant to the exercise in full of the underwriters' option to purchase additional common units), net of underwriters' discount of \$11,605 (Note 3)		168,313				168,313
Cash distribution to KNOT			(21,954)			(21,954)
Offering cost (Note 3)		(2,201)				(2,201)
Post initial public offering net income		5,238	5,248	214		10,700
Other comprehensive income						
Cash distributions		(2,718)	(2,718)	(111)		(5,547)
Consolidated balance at September 30, 2013		168,632	107,717	5,292		281,641

Table of Contents

	Partners' Capital					
	Owner's Invested Equity	Common Units	Subordinated Units	General Partner Income	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital/ Owner's Equity
Consolidated balance at December 31, 2013		168,773	107,857	5,297		281,927
Net income		11,941	9,119	424		21,484
Cash distributions (1)		(13,460)	(11,213)	(503)		(25,176)
Proceeds from public offering (5,240,000 common units including 640,000 common units pursuant to the exercise of the underwriters' option to purchase additional common units), net of underwriters' discount of \$ 4,991 (Note 14)		143,983		3,040		147,023
Offering cost (Note 14)		(335)		(5)		(340)
Other comprehensive income						
Consolidated balance at September 30, 2014		310,902	105,763	8,253		424,918

The accompanying notes are an integral part of the unaudited condensed consolidated and combined carve-out interim financial statements.

- (1) This includes cash distributions to holders of the incentive distribution rights (IDRs) for the nine months ended September 30, 2014.

Table of Contents

KNOT OFFSHORE PARTNERS LP

Unaudited Condensed Consolidated and Combined Carve-Out Statements of Cash Flows

For the Nine Months Ended September 30, 2014 and 2013

(In US \$ thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash flows provided by operating activities:		
Net income (loss)	21,484	7,162
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	23,763	16,984
Amortization of contract intangibles / liabilities	(1,138)	(1,139)
Amortization of deferred debt issuance cost	2,003	1,454
Income tax expense	0	187