SunCoke Energy, Inc.
Form 10-Q
July 29, 2016
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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 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 Number 001-35243

SUNCOKE ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	90-0640593
(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ¨ Yes ý No
As of July 22, 2016, there were 64,179,528 shares of the Registrant's $0.01 par value Common Stock outstanding.

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PART I – FINANCIAL INFORMATION
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SunCoke Energy, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars and shares in millions, except per share amounts)			
Revenues				
Sales and other operating revenue	$292.6	$347.6	$603.1	$671.5
Other income, net	0.1	0.6	0.7	0.7
Total revenues	292.7	348.2	603.8	672.2
Costs and operating expenses				
Cost of products sold and operating expenses	224.4	296.0	464.9	558.1
Selling, general and administrative expenses	23.7	19.4	47.0	32.0
Depreciation and amortization expense	28.6	26.4	56.8	50.2
Loss on divestiture of business	5.1	—	14.7	—
Total costs and operating expenses	281.8	341.8	583.4	640.3
Operating income	10.9	6.4	20.4	31.9
Interest expense, net	13.4	13.0	27.4	26.9
(Gain) loss on extinguishment of debt	(3.5)	—	(23.9)	9.4
Income (loss) before income tax expense and loss from equity method investment	1.0	(6.6)	16.9	(4.4)
Income tax (benefit) expense	—	(0.8)	3.3	0.3
Loss from equity method investment	—	0.7	—	1.4
Net income (loss)	1.0	(6.5)	13.6	(6.1)
Less: Net income attributable to noncontrolling interests	5.6	7.0	22.3	11.4
Net loss attributable to SunCoke Energy, Inc.	$(4.6)	$(13.5)	$(8.7)	$(17.5)
Loss attributable to SunCoke Energy, Inc. per common share:				
Basic	$(0.07)	$(0.21)	$(0.14)	$(0.27)
Diluted	$(0.07)	$(0.21)	$(0.14)	$(0.27)
Weighted average number of common shares outstanding:				
Basic	64.2	65.2	64.1	65.7
Diluted	64.2	65.2	64.1	65.7

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Net income (loss)	$1.0	$(6.5)	$13.6	$(6.1)
Other comprehensive income (loss):				
Reclassifications of prior service benefit, actuarial loss amortization and curtailment gain to earnings (net of related tax benefit of $5.4 million and $3.8 million for the three and six months ended June 30, 2015, respectively)	—	8.2	—	5.8
Currency translation adjustment	0.7	(0.5)	1.1	(1.6)
Comprehensive income (loss)	1.7	1.2	14.7	(1.9)
Less: Comprehensive income attributable to noncontrolling interests	5.6	7.0	22.3	11.4
Comprehensive loss attributable to SunCoke Energy, Inc.	$(3.9)	$(5.8)	$(7.6)	$(13.3)

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Balance Sheets
(Unaudited)

	June 30, 2016	December 31, 2015
	(Dollars in millions, except par value amounts)	
Assets		
Cash and cash equivalents	$108.0	$ 123.4
Receivables	48.2	64.6
Inventories	106.4	121.8
Income tax receivable	9.7	11.6
Other current assets	7.2	3.9
Assets held for sale	—	0.9
Total current assets	279.5	326.2
Restricted cash	2.3	18.2
Investment in Brazilian cokemaking operations	41.0	41.0
Properties, plants and equipment (net of accumulated depreciation of $637.2 million and $656.4 million at June 30, 2016 and December 31, 2015, respectively)	1,558.3	1,582.0
Goodwill	70.5	71.1
Other intangible assets, net	184.6	190.2
Deferred charges and other assets	5.8	15.4
Long-term assets held for sale	—	11.4
Total assets	$2,142.0	$ 2,255.5
Liabilities and Equity		
Accounts payable	$91.7	$ 99.8
Accrued liabilities	50.3	42.9
Deferred revenue	20.3	2.1
Current portion of long-term debt	1.1	1.1
Interest payable	16.8	18.9
Liabilities held for sale	—	0.9
Total current liabilities	180.2	165.7
Long-term debt	887.3	997.7
Accrual for black lung benefits	45.1	44.7
Retirement benefit liabilities	30.1	31.3
Deferred income taxes	352.9	349.0
Asset retirement obligations	13.8	16.3
Other deferred credits and liabilities	16.9	22.1
Long-term liabilities held for sale	—	5.9
Total liabilities	1,526.3	1,632.7
Equity		
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at June 30, 2016 and December 31, 2015	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 71,657,185 and 71,489,448 shares at June 30, 2016 and December 31, 2015, respectively	0.7	0.7
Treasury stock, 7,477,657 shares at June 30, 2016 and December 31, 2015, respectively	(140.7)	(140.7)
Additional paid-in capital	489.0	486.1
Accumulated other comprehensive loss	(18.7)	(19.8)

Retained deficit	(45.1)	(36.4)
Total SunCoke Energy, Inc. stockholders' equity	285.2	289.9
Noncontrolling interests	330.5	332.9
Total equity	615.7	622.8
Total liabilities and equity	$2,142.0	$ 2,255.5

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$13.6	$(6.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss on divestiture of business	14.7	—
Depreciation and amortization expense	56.8	50.2
Deferred income tax expense	3.6	(1.1)
Settlement loss and expense for pension plan	—	13.1
Gain on curtailment and payments in excess of expense for postretirement plan benefits	(1.2)	(5.5)
Share-based compensation expense	3.4	4.2
Loss from equity method investment	—	1.4
(Gain) loss on extinguishment of debt	(23.9)	9.4
Changes in working capital pertaining to operating activities (net of the effects of divestiture):		
Receivables	16.2	21.5
Inventories	15.5	36.0
Accounts payable	(5.5)	(25.4)
Accrued liabilities	7.0	(18.9)
Deferred revenue	18.2	—
Interest payable	(2.1)	1.9
Income taxes	1.9	(0.9)
Other	3.3	(3.2)
Net cash provided by operating activities	121.5	76.6
Cash Flows from Investing Activities:		
Capital expenditures	(30.2)	(22.5)
Decrease in restricted cash	15.9	—
Divestiture of coal business	(12.1)	—
Other investing activities	2.1	—
Net cash used in investing activities	(24.3)	(22.5)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	—	210.8
Repayment of long-term debt	(47.0)	(149.5)
Debt issuance costs	—	(4.8)
Proceeds from revolving credit facility	20.0	—
Repayment of revolving credit facility	(60.4)	—
Cash distribution to noncontrolling interests	(24.7)	(18.7)
Shares repurchased	—	(20.0)
Proceeds from exercise of stock options, net of shares withheld for taxes	(0.5)	(0.4)
Dividends paid	—	(8.8)
Net cash (used in) provided by financing activities	(112.6)	8.6
Net (decrease) increase in cash and cash equivalents	(15.4)	62.7
Cash and cash equivalents at beginning of period	123.4	139.0

Cash and cash equivalents at end of period	$108.0	$201.7
Supplemental Disclosure of Cash Flow Information		
Interest paid	$30.8	$25.0
Income taxes paid, net of refunds of $4.0 million in 2016 and no refunds in 2015	$(2.2)	$2.2

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Statements of Equity
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total SunCoke Energy, Inc. Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
	(Dollars in millions)									
At December 31, 2015	71,489,448	$ 0.7	7,477,657	$ (140.7)	$ 486.1	$ (19.8)	$ (36.4)	$ 289.9	$ 332.9	$ 622.8
Net income (loss)	—	—	—	—	—	—	(8.7)	(8.7)	22.3	13.6
Currency translation adjustment	—	—	—	—	—	1.1	—	1.1	—	1.1
Cash distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(24.7)	(24.7)
Share-based compensation expense	—	—	—	—	3.4	—	—	3.4	—	3.4
Share issuances, net of shares withheld for taxes	167,737	—	—	—	(0.5)	—	—	(0.5)	—	(0.5)
At June 30, 2016	71,657,185	$ 0.7	7,477,657	$ (140.7)	$ 489.0	$ (18.7)	$ (45.1)	$ 285.2	$ 330.5	$ 615.7

(See Accompanying Notes)

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SunCoke Energy, Inc.
Notes to the Consolidated Financial Statements
1. General
Description of Business
SunCoke Energy, Inc. (“SunCoke Energy,” “Company,” "we," "our" and "us") is an independent owner and operator of five cokemaking facilities in the United States ("U.S."), which consists of our Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown"), Gateway Energy and Coke Company, LLC ("Granite City"), Jewell Coke Company, L.P. ("Jewell") and Indiana Harbor Coke Company ("Indiana Harbor") cokemaking facilities. Internationally, we operate a cokemaking facility in Brazil, in which we have a preferred stock investment. We also have a cokemaking joint venture with VISA Steel Limited in India called VISA SunCoke Limited ("VISA SunCoke"). In 2015, we impaired our 49 percent investment in VISA SunCoke to zero, and consequently, beginning in the fourth quarter of 2015, we no longer include our share of VISA SunCoke in our financial results.
Additionally, we own and operate a Coal Logistics business, which provides coal handling and/or mixing services to third-party customers as well as to our own cokemaking facilities. Our Coal Logistics business consists of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT"), SunCoke Lake Terminal, LLC ("Lake Terminal") and Dismal River Terminal, LLC ("DRT").
Our consolidated financial statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded partnership. At June 30, 2016, we owned the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights, and owned a 53.9 percent limited partner interest in the Partnership. The remaining 44.1 percent interest in the Partnership was held by public unitholders. SunCoke is considered the primary beneficiary of the Partnership as it has the power to direct the activities that most significantly impact the Partnership's economic performance.
Incorporated in Delaware in 2010 and headquartered in Lisle, Illinois, we became a publicly-traded company in 2011 and our stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “SXC.”
Basis of Presentation
The accompanying unaudited consolidated financial statements included herein have been prepared in accordance 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 period ended June 30, 2016 are not necessarily indicative of the operating results expected for the entire year. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.
New Accounting Pronouncements
In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. It is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating this ASU to determine its potential impact on the Company's financial condition, results of operations, or cash flows.
In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. It is effective for annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating this ASU to determine its potential impact on the Company's financial condition, results of operations, or cash flows.

In May 2014, the FASB issued 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. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting revenue gross versus net),”

which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing,” which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients," which provides narrow-scope improvements to the guidance on collectibility, non-cash consideration, and completed contracts at transition. The standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and permits early adoption on a limited basis. The Company is currently evaluating the new standard to determine its potential impact on the Company's financial condition, results of operations, and cash flows.

Reclassifications

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

2. Coal Mining Business

In April 2016, the Company completed the disposal of its coal mining business, previously included in the Coal Mining segment, to Revelation Energy, LLC ("Revelation") who assumed substantially all of the Company's remaining coal mining assets, mineral leases, real estate and a substantial portion of our mining reclamation obligations. Under the terms of the agreement Revelation received $12.1 million from the Company to take ownership of the assets and liabilities, which was reflected in cash flows used in investing activities on the Consolidated Statements of Cash Flows.

During the three and six months ended June 30, 2016, the Company recognized losses associated with this divestiture of $5.1 million and $14.7 million, respectively, which included a $10.7 million asset impairment charge recorded in the first quarter of 2016. These losses were recorded in loss on divestiture of business on the Consolidated Statements of Operations and included transaction-related costs of $0.7 million and $1.1 million during the three and six months ended June 30, 2016, respectively, which were reflected in cash flows used in operating activities on the Consolidated Statements of Cash Flows.

The Consolidated Balance Sheets as of December 31, 2015 has been reclassified to present the assets and liabilities associated with the divestiture of the coal mining business as held for sale. As of December 31, 2015, the Company had $12.3 million of assets held for sale, which primarily consisted of $11.4 million of properties, plants, and equipment, net, and $6.8 million of liabilities held for sale, which primarily consisted of $5.9 million of asset retirement obligations.

3. Related Party Transactions

Our Coal Logistics business provides coal handling and storage services to Murray American Coal ("Murray") and Foresight Energy LP ("Foresight"), who are related parties with The Cline Group. The Cline Group currently owns a 10.3 percent interest in the Partnership, acquired as part of the CMT acquisition. Additionally, Murray also holds a significant interest in Foresight. Sales to Murray and Foresight accounted $5.4 million, or 1.8 percent, and $10.5 million, or 1.7 percent, respectively, of the Partnership's sales and other operating revenue and were recorded in the Coal Logistics segment for the three and six months ended June 30, 2016. At June 30, 2016, receivables from Murray and Foresight were $10.2 million, which were recorded in receivables on the Consolidated Balance Sheets, and deferred revenue for minimum volume payments was $17.3 million, which was recorded in deferred revenue on the Consolidated Balance Sheets. Deferred revenue on these take-or-pay contracts are billed quarterly, but recognized into income at the earlier of when service is provided or annually based on the terms of the contract.

In connection with the acquisition of CMT, the Partnership assumed Raven Energy LLC's promissory note ("Promissory Note") of $114.9 million with a subsidiary of The Cline Group as the lender. At June 30, 2016, the outstanding balance was $113.7 million, which included $1.1 million recorded in the current portion of long-term debt and $112.6 million recorded in long-term debt on the Consolidated Balance Sheets. See Note 8. Additionally, as part of the acquisition of CMT, the Partnership entered into a contingent consideration agreement with The Cline Group, which had a fair value of $4.2 million at June 30, 2016 and was included in other deferred charges and liabilities on the Consolidated Balance Sheets. See Note 15.

Also as part of the CMT acquisition, the Partnership withheld $21.5 million in cash to fund the completion of capital improvements at CMT. The cash withheld was recorded as restricted cash on the Consolidated Balance Sheets. During the first quarter of 2016, the Partnership amended an agreement with The Cline Group, which unrestricted $6.0 million of the restricted cash and relieved any obligation of the Partnership to repay these amounts to The Cline Group. The remaining restricted cash balance as of June 30, 2016 of $2.3 million is primarily related to the installation of the new state-of-the-art ship loader, which is expected to be placed into service in the second half of 2016 and will allow for faster coal loading onto larger ships.

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4. Inventories

The components of inventories were as follows:

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Coal	$62.0	$ 76.5
Coke	7.6	8.8
Materials, supplies and other	36.8	36.5
Total inventories	$106.4	$ 121.8

5. Goodwill and Other Intangible Assets

Goodwill allocated to SunCoke's reportable segments as of June 30, 2016 and changes in the carrying amount of goodwill during the six months ended June 30, 2016 were as follows:

	Domestic Coke	Coal Logistics	Total
	(Dollars in millions)		
Net balance at December 31, 2015	$3.4	$ 67.7	$71.1
Adjustments[1]	—	(0.6)	(0.6)
Net balance at June 30, 2016	$3.4	$ 67.1	$70.5

(1) In the first quarter of 2016, a working capital adjustment to the acquisition date fair value of the acquired net assets decreased the amount of the purchase price allocated to goodwill by $0.6 million.

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. There were no events or circumstances in the first half of 2016 that would, more likely than not, reduce the fair value of a reporting unit to below its carrying value.

However, both the thermal and metallurgical coal markets remain challenged. Several U.S. coal producers, including certain of the Partnership's Coal Logistics customers, have cut production and idled mining operations in response to market conditions. A number of coal producers also have filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Although the U.S. coal industry is under extreme pressure, we do not know to what extent the Partnership's Coal Logistics business may be affected.

A significant portion of the Partnership's revenues and cash flows from CMT are derived from long-term, take-or-pay contracts with Foresight and Murray. However, both customers currently face significant challenges. Foresight has disclosed that it is in default of certain corporate indentures and other debt documents and has been actively negotiating an out-of-court restructuring with its bondholders and other creditors. On July 22, 2016, Foresight announced that it had reached agreements on a global restructuring of indebtedness with its bondholders, its lenders and other creditors. However, the terms of this global restructuring are complex and Foresight has disclosed that these agreements may be subject to termination upon commencement of a bankruptcy proceeding, or if certain conditions are not commenced by August 1, 2016 and then satisfied by August 31, 2016. While these agreements with its creditors are a positive development, there can be no assurance that Foresight’s proposed global restructuring ultimately will be consummated. Murray also has been affected by current economic conditions and reported that on June 29, 2016 it sent a WARN Act notice to employees indicating that Murray could lay off as many as 4,400 employees, or about 80 percent of its workforce, due to weak coal markets. The WARN Act requires a 60-day waiting period before large layoffs can occur. In addition, Murray’s CEO has commented publicly regarding the risks to Murray’s business, including the risk of a potential bankruptcy.

Despite current challenges, the Partnership's valuation model assumes performance under these contracts and future renewals. However, to the extent changes in factors or circumstances occur, such as a declaration of bankruptcy by Foresight and/or Murray, future assessments of goodwill and intangible assets may result in material impairment charges in the near term.

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The components of intangible assets were as follows:

	Weighted - Average Remaining Amortization Years	June 30, 2016			December 31, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(Dollars in millions)					
Customer contracts	6	$31.7	$ 7.9	$23.8	$31.7	$ 6.1	$25.6
Customer relationships	14	28.7	2.9	25.8	28.7	1.8	26.9
Permits	26	139.0	4.5	134.5	139.0	1.9	137.1
Trade name	2	1.2	0.7	0.5	1.2	0.6	0.6
Total		$200.6	$ 16.0	$184.6	$200.6	$ 10.4	$190.2

Total amortization expense for intangible assets subject to amortization was $2.9 million and $5.6 million for the three and six months ended June 30, 2016, respectively, and $0.3 million and $0.7 million for the three and six months ended June 30, 2015, respectively. Based on the carrying value of the finite-lived intangible assets as of June 30, 2016, we estimated amortization expense for each of the next five years as follows:

	Amount
	(Dollars in millions)
2016(1)	$ 5.5
2017	11.1
2018	11.1
2019	10.9
2020	10.7
2021-Thereafter	135.3
Total	$ 184.6

(1) Excludes amortization expense recorded during six months ended June 30, 2016.

6. 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 Company's effective tax rate for the three and six months ended June 30, 2016 was zero percent and 19.5 percent, respectively, as compared to the 35 percent federal statutory rate, primarily due to the impact of earnings attributable to noncontrolling ownership interests in partnerships.

The Company’s effective tax rate for three and six months ended June 30, 2015 was 12.1 percent and 6.8 percent, respectively, as compared to the 35 percent federal statutory rate, primarily due to income tax benefit of $1.4 million related to the dropdown of Granite City and the impact of earnings attributable to noncontrolling ownership interests in partnerships.

On January 17, 2012, SunCoke Energy and Sunoco, Inc. entered into a tax sharing agreement that governs the parties’ respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. SunCoke Energy will continue to monitor the utilization of all tax attributes subject to the tax sharing agreement as applicable tax returns are filed or as tax examinations progress and will record additional adjustments when necessary, consistent with the terms of the tax sharing agreement.

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7. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Accrued benefits	$20.8	$ 20.3
Other taxes payable	12.2	8.4
Accrued severance	1.8	4.7
Current portion of black lung liability	5.2	5.2
Accrued legal	5.4	1.9
Other	4.9	2.4
Total accrued liabilities	$50.3	$ 42.9

8. Debt

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

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
7.625% senior notes, due 2019 ("Notes")	$44.6	$ 44.6
SunCoke's revolving credit facility, due 2019 ("Revolving Facility")	20.0	60.4
7.375% senior notes, due 2020 (“Partnership Notes”)	482.6	552.5
Partnership's revolving credit facility, due 2019 ("Partnership Revolver")	182.0	182.0
Partnership's promissory note payable, due 2021 ("Promissory Note")	113.7	114.3
Partnership's term loan, due 2019 ("Partnership Term Loan")	50.0	50.0
Total borrowings	892.9	1,003.8
Original issue premium	9.1	12.1
Debt issuance costs	(13.6)	(17.1)
Total debt	888.4	998.8
Less: current portion of long-term debt	1.1	1.1
Total long-term debt	$887.3	$ 997.7

Partnership Notes

During the three and six months ended June 30, 2016, the Partnership continued de-levering its balance sheet and repurchased $17.1 million and $69.9 million face value of outstanding Partnership Notes for $13.8 million and $46.4 million of cash payments, respectively. This resulted in a gain on extinguishment of debt of $3.5 million and $23.9 million during the three and six months ended June 30, 2016, respectively, which included a write-off of $0.2 million and $0.4 million, respectively, of unamortized original issue premium, net of unamortized debt issuance costs.

Revolving Facility

During the second quarter of 2016, the Company repaid $40.4 million on the Revolving Facility and, as a result of the divestiture of the coal mining business, the Company also cancelled approximately $4 million of letters of credit. As of June 30, 2016, the Revolving Facility had letters of credit outstanding of $30.1 million and an outstanding balance of $20.0 million, leaving $99.9 million available subject to the terms of the Credit Agreement.

Partnership Revolver

At June 30, 2016, the Partnership Revolver had $1.5 million of letters of credit outstanding and an outstanding balance of $182.0 million, leaving $66.5 million available.

Covenants

The Company and the Partnership are subject to certain debt covenants that, among other things, limit the Company's and Partnership's ability and the ability of certain of the Company's and the Partnership's subsidiaries to (i) incur indebtedness, (ii) pay dividends or make other distributions, (iii) prepay, redeem or repurchase certain debt, (iv) make loans and investments,

(v) sell assets, (vi) incur liens, (vii) enter into transactions with affiliates and (viii) consolidate or merge. These covenants are subject to a number of exceptions and qualifications set forth in the respective agreements.
Additionally, under the terms of the credit agreement, the Company is subject to a maximum consolidated leverage ratio of 3.25 to 1.00, calculated by dividing total debt by EBITDA as defined by the credit agreement, and a minimum consolidated interest coverage ratio of 2.75 to 1.00, calculated by dividing EBITDA by interest expense as defined by the credit agreement. Under the terms of the Partnership Revolver, the Partnership is subject to a maximum consolidated leverage ratio of 4.50 to 1.00, calculated by dividing total debt by EBITDA as defined by the Partnership Revolver, and a minimum consolidated interest coverage ratio of 2.50 to 1.00, calculated by dividing EBITDA by interest expense as defined by the Partnership Revolver. The Partnership Term Loan has the same covenants as the previously discussed Partnership Revolver covenants.

Under the terms of the promissory agreement, Raven Energy LLC, a wholly-owned subsidiary of the Partnership, is subject to a maximum leverage ratio of 5.00:1.00 for any fiscal quarter ending prior to August 12, 2018, calculated by dividing total debt by EBITDA as defined by the promissory agreement. For any fiscal quarter ending on or after August 12, 2018, the maximum leverage ratio is 4.50:1.00. Additionally, in order to make restricted payments, Raven Energy LLC is subject to a fixed charge ratio of greater than 1.00:1.00, calculated by dividing EBITDA by fixed charges as defined by the promissory agreement.

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 Revolving Facility, Partnership Revolver, Partnership Term Loan and Promissory Note 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 $20 million. We do not anticipate any violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.

As of June 30, 2016, the Company and the Partnership were in compliance with all applicable debt covenants contained in the credit agreement and promissory agreement. We do not anticipate violation of these covenants nor do we anticipate that any of these covenants will restrict our operations or our ability to obtain additional financing.

9. Retirement Benefits Plans

The Company has plans which provide health care and life insurance benefits for many of its retirees (“postretirement benefit plans”). The postretirement benefit plans are unfunded and the costs are borne by the Company.

The termination of coal mining employees during the first quarter of 2015 triggered a postretirement benefit plan curtailment gain of $4.0 million, which represented accelerated amortization of prior service credits previously recorded in accumulated other comprehensive income. Postretirement benefit plans expense (benefit) consisted of the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Interest cost on benefit obligations	$0.3	$0.3	$0.6	$0.6
Amortization of:				
Actuarial losses	0.2	0.2	0.4	0.4
Prior service benefit	(0.2)	(0.3)	(0.4)	(0.7)
Curtailment gain	—	—	—	(4.0)
Total expense (benefit)	$0.3	$0.2	$0.6	$(3.7)

The Company previously had a defined benefit pension plan, which was terminated in June 2015. As a result of the pension termination, unrecognized losses, which previously were recorded in accumulated other comprehensive loss on the Consolidated Balance Sheets, were recognized as expense. The net settlement loss of $12.6 million was recorded in cost of products sold and operating expenses on the Consolidated Statements of Operations for the six

months ended June 30, 2015.

Defined Contribution Plans

The Company has defined contribution plans which provide retirement benefits for certain of its employees. The Company's contributions, which are principally based on the Company's pretax income and the aggregate compensation levels of participating employees are charged against income as incurred. These contributions amounted to $1.1 million and $2.7 million for the three and six months ended June 30, 2016, respectively, and $1.6 million and $3.4 million for three and six months ended 2015, respectively.

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10. Commitments and Contingent Liabilities

SunCoke Energy is party to an omnibus agreement pursuant to which we will provide remarketing efforts to the Partnership upon the occurrence of certain potential adverse events under certain coke sales agreements, indemnification of certain environmental costs and preferential rights for growth opportunities.

The United States Environmental Protection Agency (the “EPA”) has issued Notices of Violations (“NOVs”) for our Haverhill and Granite City cokemaking facilities which stem from alleged violations of our air emission 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, which was paid in December 2014, as well as capital projects already underway to improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City facilities. We anticipate spending approximately $130 million related to these projects, of which we have spent approximately $90 million to date. The remaining capital is expected to be spent through the first quarter of 2019. A portion of the proceeds from the Partnership's initial public offering and subsequent dropdowns are being used to fund $119 million of these environmental remediation projects.

SunCoke Energy has also received NOVs, Findings of Violations ("FOVs"), and information requests from the EPA related to our Indiana Harbor cokemaking facility. NOVs and/or FOVs were received in 2010, 2012, 2013, 2015 and 2016. After initial discussions with the EPA and the Indiana Department of Environmental Management (“IDEM”) in 2010, resolution of the NOVs/FOVs was postponed by mutual agreement because of ongoing discussions regarding the NOVs at Haverhill and Granite City. In January 2012, the Company began working in a cooperative manner to address the allegations with the EPA, the IDEM and Cokenergy, Inc., an independent power producer that owns and operates an energy facility, including heat recovery equipment and a flue gas desulfurization system, that processes hot flue gas from our Indiana Harbor facility to produce steam and electricity and to reduce the sulfur and particulate content of such flue gas. The parties are meeting regularly in 2016. Capital projects are underway to address items that may be required in conjunction with a settlement of the NOVs/FOVs. Settlement may require payment of a penalty for alleged past violations as well as undertaking capital projects to enhance reliability and environmental performance. At this time, SunCoke Energy cannot yet assess any additional injunctive relief or potential monetary penalty and any potential future citations. The Company is unable to determine a range of probable or reasonably possible loss.

The Company 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 Company. Management of the Company believes that any liability which may arise from claims would not have a material adverse impact on our consolidated financial statements.

11. Restructuring

In connection with the restructuring of our coal mining business, the Company recorded $10.2 million of employee-related restructuring costs prior to December 31, 2015 within our Coal Mining segment. An additional $0.2 million of severance was recorded in the first quarter of 2016 in connection with the disposition of the coal business in April 2016.

In the third and fourth quarter of 2015, we reduced the workforce in our corporate office and incurred total charges of $2.3 million and $1.8 million, respectively, in Corporate and Other. Employee-related restructuring costs are included in selling, general, and administrative expenses on the Consolidated Statements of Operations.

The following table presents accrued restructuring and related activity for Coal Mining and Corporate and Other as of and for the six months ended June 30, 2016, which is included in accrued liabilities on the Consolidated Balance Sheets:

	Coal Mining	Corporate	Total
	(Dollars in millions)		

Balance at December 31, 2015	$0.8	$ 3.9	$4.7
Charges	0.2	—	0.2
Cash payments	(0.7)	(2.4)	(3.1)
Balance at June 30, 2016	$0.3	$ 1.5	$1.8

The restructuring balance at June 30, 2016 relates to severance, and we expect it will be substantially paid in 2016.

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12. Share-Based Compensation

Equity Awards

During the six months ended June 30, 2016, we granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Performance Enhancement Plan ("SunCoke LTPEP"). All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

Stock Options

We granted the following stock options during the six months ended June 30, 2016 with an exercise price equal to the closing price of our common stock on the date of grant.

		Weighted Average Per Share	
	No. of Shares	Exercise Price	Grant Date Fair Value
Traditional Stock options:			
February grants	95,001	$3.80	$1.71
March grants	90,925	$6.03	$2.78
Performance based options:			
February grants	58,448	$3.80	$1.06
March grants	90,925	$6.03	$2.42

The stock options vest in three equal annual installments beginning one year from the date of grant. In order to become exercisable, the performance based options also require the closing price of the Company's common stock to reach or exceed $9.50 for any 15 trading days during the three-year period beginning on the grant date. The stock options expire ten years from the date of grant.

The Company calculates the value of each employee stock option, estimated on the date of grant, using the Black-Scholes option pricing model with a Monte Carlo simulation for the performance based options. The weighted-average fair value of employee stock options granted during the six months ended June 30, 2016 was based on using the following weighted-average assumptions:

	Six Months Ended June 30, 2016	
Risk-free interest rate	1.25	%
Expected term	5 years	
Volatility	52	%
Dividend yield	0.0	%

The risk-free interest rate assumption is based on the U.S. Treasury yield curve at the date of grant for periods which approximate the expected life of the option. The expected term of the employee options represent the average contractual term adjusted by the average vesting period of each option tranche. We based our expected volatility on our historical volatility over our entire available trading history. The dividend yield assumption is based on the Company's expectation of dividend payouts at the time of grant.

Restricted Stock Units Settled in Shares

The Company did not issue any restricted stock units ("RSUs") for shares of the Company's common stock during the six months ended June 30, 2016.

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Performance Share Units

The Company granted the following performance share units ("PSUs") for shares of the Company's common stock during the six months ended June 30, 2016 that vest on December 31, 2018:

	ROIC Portion[1]		TSR Portion[2]		Total
	Shares	Fair Value per Share	Shares	Fair Value per Share	Grant Date Fair Value
					(Dollars in millions)
February grants	105,210	$5.66	105,210	$5.81	$ 1.2
March grants[3]	67,167	$10.51	201,500	$6.35	$ 2.0

(1) The number of PSU's ultimately awarded will be determined by the Company's three year average pre-tax return on capital for the Company's Coke and Coal Logistics businesses. If at any time during the vesting period the closing price of the Company's common stock equals or exceeds $9.00 per share for any 15 trading days, the pre-tax return on capital portion of the award, as adjusted, will be multiplied by two.

(2) The number of PSU's ultimately awarded will be determined by the Company's three year total shareholder return ("TSR") as compared to the TSR of the companies making up the S&P 600.

(3) The final vesting value of the TSR portion of this award cannot exceed $4.9 million.

Each portion of the award may vest between zero and 200 percent of the original units granted. The fair value of the PSUs granted during the six months ended June 30, 2016 is based on the closing price of our common stock on the date of grant as well as a Monte Carlo simulation for the portion of the award subject to a market condition.

Liability Classified Awards

Restricted Stock Units Settled in Cash

During the six months ended June 30, 2016, the Company issued 198,668 restricted stock units to be settled in cash ("Cash RSUs"), which vest in three annual installments beginning one year from the grant date. The weighted average grant date fair value of the Cash RSUs granted during the six months ended June 30, 2016 was $3.82 and was based on the closing price of our common stock on the day of grant.

The Cash RSU liability at June 30, 2016 was adjusted based on the closing price of our common stock on June 30, 2016 of $5.82 per share. The liability at June 30, 2016 was $0.1 million, which was included in accrued liabilities on the Consolidated Balance Sheets.

Cash Incentive Award

The Company also granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Cash Incentive Plan ("SunCoke LTCIP"), which became effective January 1, 2016. SunCoke LTCIP is designed to provide for performance-based, cash-settled awards. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTCIP.

The Company issued a grant date fair value award of $0.9 million during the six months ended June 30, 2016 that vest on December 31, 2018. The ultimate award value will be adjusted based upon the Company's three year average pre-tax return on capital for the Company's Coke and Coal Logistics businesses, and if at any time during the vesting period the closing price of the Company's common stock equals or exceeds $9.00 per share for any 15 trading days, the award, as adjusted, will be multiplied by two, but will be capped at 200 percent of the target award.

The cash incentive award liability at June 30, 2016 was recorded based on the Company's adjusted three year average pre-tax return on capital for the Company's Coke and Coal Logistics businesses and a Monte Carlo simulation for the market multiplier. The cash incentive award liability at June 30, 2016 was not material.

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Summary of share-based compensation

Below is a summary of the compensation expense, unrecognized compensation costs, the period for which the unrecognized compensation cost is expected to be recognized over and the estimated forfeiture rate for each award:

	Three months ended June 30,		Six months ended June 30		June 30, 2016		
	2016	2015	2016	2015			
	Compensation Expense[1]				Unrecognized Compensation Cost	Recognition Period	Forfeiture Rate[2][3]
	(Dollars in millions)					(Years)	(Percent)
Stock Options	$0.5	$0.8	$1.0	$1.4	$1.9	1.1	16
RSUs	$0.6	$1.4	$1.5	$2.1	$2.3	1.3	18
PSUs	$0.4	$0.5	$0.7	$0.7	$3.4	2.4	—
Cash RSUs	$0.1	$—	$0.1	$—	$0.8	2.4	18
Cash incentive award	$0.1	$—	$0.1	$—	$0.6	2.5	16

(1) Compensation expense recognized by the Company in selling, general and administrative expenses on the Consolidated Statements of Operations.

(2) Excludes awards issued to certain executive employees, which were estimated at a zero percent forfeiture rate.

(3) Forfeiture rates may be revised in subsequent periods if the actual forfeiture rate differs.

13. Earnings per Share

Basic earnings per share ("EPS") has been computed by dividing net loss income available to SunCoke Energy, Inc. by the weighted average number of shares outstanding during the period. Except where the result would be anti-dilutive, diluted earnings per share has been computed to give effect to share-based compensation awards using the treasury stock method.

The following table sets forth the reconciliation of the weighted-average number of common shares used to compute basic EPS to those used to compute diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Shares in millions)			
Weighted-average number of common shares outstanding-basic	64.2	65.2	64.1	65.7
Add: Effect of dilutive share-based compensation awards	—	—	—	—
Weighted-average number of shares-diluted	64.2	65.2	64.1	65.7

The following table shows stock options, restricted stock units, and performance stock units that are excluded from the computation of diluted earnings per share as the shares would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Shares in millions)		(Shares in millions)	
Stock options	3.2	3.1	3.1	2.7
Restricted stock units	0.3	0.5	0.4	0.5
Performance stock units	0.4	0.1	0.3	0.1

Total	3.9	3.7	3.8	3.3

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14. Supplemental Accumulated Other Comprehensive Loss Information

Changes in accumulated other comprehensive loss, by component, are presented below:

	Defined and Postretirement Benefit Plans	Currency Translation Adjustments	Total
	(Dollars in millions)		
At December 31, 2015	$(4.6)	$ (15.2)	$(19.8)
Other comprehensive income	—	1.1	1.1
At June 30, 2016	$(4.6)	$ (14.1)	$(18.7)

Reclassifications out of the accumulated other comprehensive loss were as follows:[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Amortization of postretirement and defined benefit plan items to net income:				
Actuarial loss[2][3]	$0.2	$0.4	$0.4	$0.8
Settlement loss[2]	—	13.5	—	13.5
Prior service benefit[2]	(0.2)	(0.3)	(0.4)	(0.7)
Curtailment gain[2]	—	—	—	(4.0)
Total income before taxes	—	13.6	—	9.6
Less income tax benefit	—	(5.4)	—	(3.8)
Total income, net of tax	$—	$8.2	$—	$5.8

(1) Amounts in parentheses indicate credits to net income.

(2) These accumulated other comprehensive (income) loss components are included in the computation of postretirement benefit plan expense (benefit) and defined benefit plan expense. See Note 9.

(3) The three and six months ended June 30, 2015 includes $0.2 million and $0.4 million of amortization of actuarial losses related to the Company's defined benefit plan, which was terminated in the second quarter of 2015.

15. Fair Value Measurement

The Company 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 from the sale of 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.

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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 Company's cash equivalents, which amounted to $2.2 million and $15.4 million at June 30, 2016 and December 31, 2015, respectively, were 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.

CMT Contingent Consideration

In connection with the CMT acquisition, the Partnership entered into a contingent consideration arrangement that requires the Partnership to make future payments to The Cline Group based on future volume over a specified threshold, price, and contract renewals. During the first quarter of 2016, the Partnership amended the contingent consideration terms with The Cline Group, which reduced the fair value of the contingent consideration liability to $4.2 million at March 31, 2016, resulting in a $3.7 million gain recognized as a reduction to costs of products sold and operating expenses on the Consolidated Statement of Operations during the six months ended June 30, 2016. The contingent consideration liability remained at $4.2 million at June 30, 2016 and was included in other deferred credits and liabilities on the Consolidated Balance Sheets.

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 coal 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.

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment).

Certain Financial Assets and Liabilities not Measured at Fair Value

At June 30, 2016, the fair value of the Company’s total debt was estimated to be $812.7 million, compared to a carrying amount of $892.9 million. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions, which are considered Level 2 inputs.

16. Business Segment Information

The Company reports its business through four segments: Domestic Coke, Brazil Coke, Coal Logistics and Coal Mining. The Domestic Coke segment includes the Jewell, Indiana Harbor, Haverhill, Granite City and Middletown cokemaking facilities. Each of these facilities produces coke, and all facilities except Jewell and Indiana Harbor recover waste heat, which is converted to steam or electricity through a similar production process. Steam is provided to third-party customers primarily pursuant to steam supply and purchase agreements. Electricity is sold into the regional power market or to AK Steel pursuant to energy sales agreements. Coke sales at each of the Company's five domestic cokemaking facilities are made pursuant to long-term, take-or-pay agreements with ArcelorMittal, AK Steel, and U.S. Steel. Each of the coke sales agreements contains pass-through provisions for costs incurred in the cokemaking process, including coal procurement costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expense, costs related to the transportation of coke to the customers, taxes (other than income taxes) and costs associated with changes in regulation, in addition to containing a fixed fee.

The Brazil Coke segment operates a cokemaking facility located in Vitória, Brazil for a project company. The Brazil Coke segment earns income from the Brazilian facility through (1) licensing and operating fees payable to us under long-term contracts with the local project company that will run through at least 2022; and (2) an annual preferred dividend on our preferred stock investment from the project company guaranteed by the Brazil subsidiary of ArcelorMittal.

Coal Logistics operations are comprised of CMT located in Louisiana, KRT located in West Virginia, Lake Terminal, located in Indiana, and DRT, located in Virginia adjacent to our Jewell cokemaking facility. DRT was constructed to accommodate Jewell in its direct procurement of third-party coal, beginning in 2016. This business has a collective capacity to mix and transload approximately 35 million tons of coal annually and provides coal handling and/or mixing services to third-party customers as well as our own cokemaking facilities and other SunCoke cokemaking facilities. Coal handling and mixing results are presented in the Coal Logistics segment.

Until the business was divested in April 2016, the Coal Mining segment conducted coal mining operations, mined by contractors, near the Company's Jewell cokemaking facility with mines located in Virginia and West Virginia. Prior to April 2016, a substantial portion of the coal production was sold to the Jewell cokemaking facility for conversion into coke. Some coal was also sold to other cokemaking facilities within the Domestic Coke segment. Historically, intersegment Coal Mining

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revenues for coal sales to the Domestic Coke segment were reflective of the contract price that the facilities within the Domestic Coke segment charge their customers, which approximated the market prices for this quality of metallurgical coal. In 2016, the Company transitioned to a 100 percent purchased third-party coal model, which resulted in a shift of coal transportation costs from the Coal Mining segment to the Domestic Coke segment beginning in the first quarter of 2016. These additional transportation costs are included in Coal Mining's intersegment revenues to Domestic Coke. It is impracticable to show the impacts of this change in our coal procurement model in segment results on a comparable basis.

Corporate expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other, including certain legacy coal mining expenses (i.e. black lung, workers' compensation and other postretirement employee benefit obligations). These legacy costs are included in Corporate and Other Adjusted EBITDA. The results of our equity method investment in Visa SunCoke were also included in Corporate and Other until the Company impaired its investment to zero in the third quarter of 2015 and suspended equity method accounting. Interest expense, net, which consists principally of interest income and interest expense, net of capitalized interest, and gains and losses on extinguishment of debt are also excluded from segment results. Segment assets, net of tax are those assets utilized within a specific segment and exclude current tax receivables and assets held for sale.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Sales and other operating revenue:				
Domestic Coke	$274.0	$326.5	$563.0	$629.6
Brazil Coke	7.4	8.5	15.1	18.4
Coal Logistics	11.2	8.6	24.2	15.9
Coal Logistics intersegment sales	5.2	4.9	10.4	9.6
Coal Mining	—	4.0	0.8	7.6
Coal Mining intersegment sales	0.7	24.8	22.0	49.0
Elimination of intersegment sales	(5.9)	(29.7)	(32.4)	(58.6)
Total sales and other operating revenue	$292.6	$347.6	$603.1	$671.5
Adjusted EBITDA:				
Domestic Coke	$51.0	$56.2	$105.3	$108.9
Brazil Coke	2.4	2.6	4.7	6.7
Coal Logistics	5.4	5.0	11.3	7.6
Coal Mining	(0.9)	(5.4)	(5.0)	(8.5)
Corporate and Other, including legacy costs, net[(1)]	(11.4)	(25.0)	(26.0)	(33.4)
Total Adjusted EBITDA	$46.5	$33.4	$90.3	$81.3
Depreciation and amortization expense:				
Domestic Coke[(2)]	$19.7	$20.0	$40.0	$38.2
Brazil Coke	0.2	0.1	0.4	0.3
Coal Logistics[(3)]	8.0	1.9	13.4	3.7
Coal Mining[(4)]	—	3.7	1.5	6.5
Corporate and Other	0.7	0.7	1.5	1.5
Total depreciation and amortization expense	$28.6	$26.4	$56.8	$50.2

Capital expenditures:				
Domestic Coke	$6.9	$13.9	$16.9	$21.9
Coal Logistics	9.0	0.3	12.4	0.5
Corporate and Other	0.5	—	0.9	0.1
Total capital expenditures	$16.4	$14.2	$30.2	$22.5

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(1) Legacy costs, net, include costs associated with former mining employee-related liabilities, net of certain royalty revenues. See details of these legacy items below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Black lung charges	$(1.8)	$(1.0)	$(3.5)	$(1.9)
Postretirement benefit plan (expense) benefit	(0.2)	(0.1)	(0.4)	3.8
Defined benefit plan expense, including termination charges	—	(12.9)	—	(13.1)
Workers' compensation expense	(0.1)	(0.5)	(0.4)	(1.4)
Other	—	(0.7)	—	(0.7)
Total legacy (costs) income, net	$(2.1)	$(15.2)	$(4.3)	$(13.3)

(2) The Company revised the estimated useful lives on certain assets at its domestic cokemaking facilities, resulting in additional depreciation of $1.3 million, or $0.02 per common share, and $1.8 million, or $0.03 per common share from operations, for the three months ended June 30, 2016 and 2015, respectively, and $3.6 million, or $0.06 per common share, and $2.9 million, or $0.04 per common share, for the six months ended June 30, 2016 and 2015, respectively.
(3) The Partnership revised the estimated useful lives of certain assets in its Coal Logistics segment, which resulted in additional depreciation of $2.2 million, or $0.03 per common share, during the six months ended June 30, 2016.
(4) Depreciation expense was zero for the three months ended June 30, 2016 as a result of the divestiture of the business. In 2015, the Company revised the estimated useful lives of certain coal preparation plant assets in its Coal Mining segment which resulted in additional depreciation of $2.7 million, or $0.04 per common share and $4.7 million or $0.07 per common share, during the three and six months ended June 30, 2015.
The following table sets forth the Company’s total sales and other operating revenue by product or service:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Sales and other operating revenue:				
Coke sales	$258.4	$311.4	$531.8	$597.8
Steam and electricity sales	14.4	15.1	28.9	31.7
Operating and licensing fees	7.4	8.5	15.1	18.4
Coal logistics	11.0	8.1	23.6	15.2
Metallurgical coal sales	—	3.9	0.4	6.6
Other	1.4	0.6	3.3	1.8
Sales and other operating revenue	$292.6	$347.6	$603.1	$671.5

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

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Segment assets		
Domestic Coke	$1,525.8	$ 1,534.2
Brazil Coke	49.8	58.8
Coal Logistics	518.6	532.0
Coal Mining	—	8.2
Corporate and Other	38.1	98.4

Segment assets, excluding tax assets and assets held for sale	2,132.3	2,231.6
Tax assets	9.7	11.6
Assets held for sale	—	12.3
Total assets	$2,142.0	$ 2,255.5

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The Company evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, (gain) loss on extinguishment of debt, taxes, depreciation and amortization ("EBITDA"), adjusted for impairments, coal rationalization costs, changes to our contingent consideration liability related to our acquisition of CMT, and interest, taxes, depreciation and amortization and impairments attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses.

Management believes Adjusted EBITDA is an important measure of the operating performance and liquidity of the Company'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 a substitute for 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 requirement for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income attributable to noncontrolling interests.

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Below is a reconciliation of Adjusted EBITDA to 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016[1]	2015
	(Dollars in millions)			
Net cash provided by operating activities	$92.1	$65.5	$121.5	$76.6
Subtract:				
Loss on divestiture of business	5.1	—	14.7	—
Depreciation and amortization expense	28.6	26.4	56.8	50.2
Deferred income tax expense (benefit)	0.4	(4.2)	3.6	(1.1)
(Gain) loss on extinguishment of debt	(3.5)	—	(23.9)	9.4
Changes in working capital and other	60.5	49.8	56.7	24.2
Net Income	$1.0	$(6.5)	$13.6	$(6.1)
Add:				
Adjustment to unconsolidated affiliate earnings[2]	$—	$0.7	$—	$1.0
Coal rationalization costs (income)[3]	—	0.6	0.2	(0.4)
Depreciation and amortization expense	28.6	26.4	56.8	50.2
Interest expense, net	13.4	13.0	27.4	26.9
(Gain) loss on extinguishment of debt	(3.5)	—	(23.9)	9.4
Income tax (benefit) expense	—	(0.8)	3.3	0.3
Loss on divestiture of business	5.1	—	14.7	—
Reduction of contingent consideration[4]	—	—	(3.7)	—
Expiration of land deposits[5]	1.9	—	1.9	—
Adjusted EBITDA	$46.5	$33.4	$90.3	$81.3
Subtract: Adjusted EBITDA attributable to noncontrolling interest[6]	18.6	18.1	38.9	36.2
Adjusted EBITDA attributable to SunCoke Energy, Inc.	$27.9	$15.3	$51.4	$45.1

(1) In response to the SEC’s May 2016 update of its guidance of the appropriate use of non-GAAP financial measures, first quarter of 2016 Adjusted EBITDA has been recast to no longer include Coal Logistics deferred revenue until it is recognized as GAAP revenue.

(2) Reflects share of interest, taxes, depreciation and amortization related to our equity method investment in VISA SunCoke.

(3) Coal rationalization costs (income) includes employee severance, contract termination costs and other costs to idle mines incurred during the execution of our coal rationalization plan. The six months ended June 30, 2015, included $2.2 million of income related to a severance accrual adjustment.

(4) The Partnership amended its contingent consideration terms with The Cline Group, which reduced the fair value of the contingent consideration liability, resulting in a $3.7 million gain recorded during the six months ended June 30, 2016, which was excluded from Adjusted EBITDA.

(5) Reflects the expiration of land deposits in connection with the Company's potential new cokemaking facility to be constructed in Kentucky.

(6) Reflects noncontrolling interest in Indiana Harbor and the portion of the Partnership owned by public unitholders.

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17. Supplemental Condensed Consolidating Financial Information

Certain 100 percent owned subsidiaries of the Company serve as guarantors of the obligations under the Credit Agreement and $44.6 million of Notes (“Guarantor Subsidiaries”). These guarantees are full and unconditional (subject, in the case of the Guarantor Subsidiaries, to customary release provisions as described below) and joint and several. For purposes of the following footnote, SunCoke Energy, Inc. is referred to as “Issuer.” The indenture dated July 26, 2011 among the Company, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., governs subsidiaries designated as “Guarantor Subsidiaries.” All other consolidated subsidiaries of the Company are collectively referred to as “Non-Guarantor Subsidiaries.”

The ability of the Partnership and Indiana Harbor to pay dividends and make loans to the Company is restricted under the partnership agreements of the Partnership and Indiana Harbor, respectively. The credit agreement governing the Partnership’s credit facility and the indenture governing the Partnership Notes contain customary provisions which would potentially restrict the Partnership’s ability to make distributions or loans to the Company under certain circumstances. For the year ended December 31, 2015, less than 25 percent of net assets were restricted. Additionally, in 2015, the Company's Board of Directors designated certain coal mining entities as unrestricted subsidiaries. As such, all the subsidiaries described above are presented as "Non-Guarantor Subsidiaries." There have been no changes to the "Guarantor Subsidiaries" and "Non-Guarantor Subsidiaries" during the first half of 2016.

The guarantee of a Guarantor Subsidiary will terminate upon:

- a sale or other disposition of the Guarantor Subsidiary or of all or substantially all of its assets;
- a sale of the majority of the Capital Stock of a Guarantor Subsidiary to a third-party, after which the Guarantor Subsidiary is no longer a "Restricted Subsidiary" in accordance with the indenture governing the Notes;
- the liquidation or dissolution of a Guarantor Subsidiary so long as no "Default" or "Event of Default", as defined under the indenture governing the Notes, has occurred as a result thereof;
- the designation of a Guarantor Subsidiary as an "unrestricted subsidiary" in accordance with the indenture governing the Notes;
- the requirements for defeasance or discharge of the indentures governing the Notes having been satisfied; and
- the release, other than the discharge through payments by a Guarantor Subsidiary, from its guarantee under the Credit Agreement or other indebtedness that resulted in the obligation of the Guarantor Subsidiary under the indenture governing the Notes.

The following supplemental condensed combining and consolidating financial information reflects the Issuer’s separate accounts, the combined accounts of the Guarantor Subsidiaries, the combined accounts of the Non-Guarantor Subsidiaries, the combining and consolidating adjustments and eliminations and the Issuer’s consolidated accounts for the dates and periods indicated. For purposes of the following condensed combining and consolidating information, the Issuer’s investments in its subsidiaries and the Guarantor and Non-Guarantor Subsidiaries’ investments in its subsidiaries are accounted for under the equity method of accounting.

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2016
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$ 42.1	$ 251.5	$ (1.0)	$292.6
Equity in (loss) earnings of subsidiaries	(2.1)	—	—	2.1	—
Other income, net	—	0.1	—	—	0.1
Total revenues	(2.1)	42.2	251.5	1.1	292.7
Costs and operating expenses					
Cost of products sold and operating expense	—	31.6	193.8	(1.0)	224.4
Selling, general and administrative expense	2.8	6.9	14.0	—	23.7
Depreciation and amortization expense	—	2.3	26.3	—	28.6
Loss on divestiture of business	—	—	5.1	—	5.1
Total costs and operating expenses	2.8	40.8	239.2	(1.0)	281.8
Operating (loss) income	(4.9)	1.4	12.3	2.1	10.9
Interest (income) expense, net - affiliate	—	(1.9)	1.9	—	—
Interest expense, net	1.7	—	11.7	—	13.4
Total interest expense (income), net	1.7	(1.9)	13.6	—	13.4
Gain on extinguishment of debt	—	—	(3.5)	—	(3.5)
(Loss) income before income tax expense	(6.6)	3.3	2.2	2.1	1.0
Income tax (benefit) expense	(2.0)	1.0	1.0	—	—
Net (loss) income	(4.6)	2.3	1.2	2.1	1.0
Less: Net income attributable to noncontrolling interests	—	—	5.6	—	5.6
Net (loss) income attributable to SunCoke Energy, Inc.	$(4.6)	$ 2.3	$ (4.4)	$ 2.1	$(4.6)
Comprehensive (loss) income	$(3.9)	$ 2.3	$ 1.9	$ 1.4	$1.7
Less: Comprehensive income attributable to noncontrolling interests	—	—	5.6	—	5.6
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(3.9)	$ 2.3	$ (3.7)	$ 1.4	$(3.9)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Three months ended June 30, 2015
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$ 58.0	$ 289.6	$ —	$347.6
Equity in (loss) earnings of subsidiaries	(8.3)	(8.1)	—	16.4	—
Other income, net	—	0.1	0.5	—	0.6
Total revenues	(8.3)	50.0	290.1	16.4	348.2
Costs and operating expenses					
Cost of products sold and operating expenses	—	42.9	253.1	—	296.0
Selling, general and administrative expenses	3.5	6.6	9.3	—	19.4
Depreciation and amortization expense	—	2.2	24.2	—	26.4
Total costs and operating expenses	3.5	51.7	286.6	—	341.8
Operating (loss) income	(11.8)	(1.7)	3.5	16.4	6.4
Interest (income) expense, net - affiliate	—	(1.8)	1.8	—	—
Interest expense, net	2.3	—	10.7	—	13.0
Total interest expense (income), net	2.3	(1.8)	12.5	—	13.0
(Loss) income before income tax (benefit) expense and loss from equity method investment	(14.1)	0.1	(9.0)	16.4	(6.6)
Income tax (benefit) expense	(0.6)	3.4	(3.6)	—	(0.8)
Loss from equity method investment	—	—	0.7	—	0.7
Net (loss) income	(13.5)	(3.3)	(6.1)	16.4	(6.5)
Less: Net income attributable to noncontrolling interests	—	—	7.0	—	7.0
Net (loss) income attributable to SunCoke Energy, Inc.	$(13.5)	$ (3.3)	$ (13.1)	$ 16.4	$(13.5)
Comprehensive (loss) income	$(5.8)	$ (3.4)	$ 1.7	$ 8.7	$1.2
Less: Comprehensive income attributable to noncontrolling interests	—	—	7.0	—	7.0
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(5.8)	$ (3.4)	$ (5.3)	$ 8.7	$(5.8)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Six months ended June 30, 2016
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$ —	$ 84.7	$ 520.4	$ (2.0)	$603.1
Equity in (loss) earnings of subsidiaries	(1.4)	11.3	—	(9.9)	—
Other income, net	—	0.2	0.5	—	0.7
Total revenues	(1.4)	96.2	520.9	(11.9)	603.8
Costs and operating expenses					
Cost of products sold and operating expense	—	65.5	401.4	(2.0)	464.9
Selling, general and administrative expense	5.8	15.8	25.4	—	47.0
Depreciation and amortization expense	—	4.5	52.3	—	56.8
Loss on divestiture of business	—	—	14.7	—	14.7
Total costs and operating expenses	5.8	85.8	493.8	(2.0)	583.4
Operating (loss) income	(7.2)	10.4	27.1	(9.9)	20.4
Interest (income) expense, net - affiliate	—	(3.9)			