SunCoke Energy, Inc.
Form 10-Q
October 27, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

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 (State or other jurisdiction of incorporation or organization)	90-0640593 (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 October 23, 2015, there were 63,989,468 shares of the Registrant's $0.01 par value Common Stock outstanding.

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PART I – FINANCIAL INFORMATION

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PART I – FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
SunCoke Energy, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars and shares in millions, except per share amounts)			
Revenues				
Sales and other operating revenue	$336.2	$376.2	$1,007.7	$1,105.9
Other income	0.7	0.8	1.4	2.9
Total revenues	336.9	377.0	1,009.1	1,108.8
Costs and operating expenses				
Cost of products sold and operating expense	266.3	292.7	824.4	886.7
Selling, general and administrative expense	21.9	19.2	53.9	63.0
Depreciation, depletion and amortization expense	25.6	22.8	75.8	80.4
Asset impairment	—	16.4	—	119.5
Total costs and operating expenses	313.8	351.1	954.1	1,149.6
Operating income (loss)	23.1	25.9	55.0	(40.8)
Interest expense, net	14.6	11.9	50.9	51.1
Income (loss) before income tax expense (benefit) and loss from equity method investment	8.5	14.0	4.1	(91.9)
Income tax expense (benefit)	4.8	6.1	5.1	(48.9)
Loss from equity method investment	20.2	1.5	21.6	3.0
Net (loss) income	(16.5)	6.4	(22.6)	(46.0)
Less: Net income attributable to noncontrolling interests	7.0	10.0	18.4	14.6
Net loss attributable to SunCoke Energy, Inc.	$(23.5)	$(3.6)	$(41.0)	$(60.6)
Loss attributable to SunCoke Energy, Inc. per common share:				
Basic	$(0.36)	$(0.05)	$(0.63)	$(0.87)
Diluted	$(0.36)	$(0.05)	$(0.63)	$(0.87)
Weighted average number of common shares outstanding:				
Basic	64.5	69.4	65.3	69.5
Diluted	64.5	69.4	65.3	69.5

(See Accompanying Notes)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Net (loss) income	$(16.5)	$6.4	$(22.6)	$(46.0)
Other comprehensive (loss) income:				
Reclassifications of prior service cost, actuarial loss amortization and curtailment gain to earnings (net of related tax benefit of $0.1 million and $3.9 million for the three and nine months ended September 30, 2015 and related tax expense of $0.4 million and $1.2 million for the three and nine months ended September 30, 2014, respectively)	(0.1)	(0.6)	5.7	(1.9)
Currency translation adjustment	(1.6)	(2.4)	(3.2)	1.3
Comprehensive (loss) income	(18.2)	3.4	(20.1)	(46.6)
Less: Comprehensive income attributable to noncontrolling interests	7.0	10.0	18.4	14.6
Comprehensive loss attributable to SunCoke Energy, Inc.	$(25.2)	$(6.6)	$(38.5)	$(61.2)

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2015	December 31, 2014
	(Dollars in millions, except par value amounts)	
Assets		
Cash and cash equivalents	$103.2	$139.0
Receivables	76.3	78.2
Inventories	124.6	142.2
Income tax receivable	11.0	6.0
Deferred income taxes	18.5	26.4
Other current assets	5.0	3.6
Total current assets	338.6	395.4
Restricted cash	22.0	0.5
Investment in Brazilian cokemaking operations	41.0	41.0
Equity method investment in VISA SunCoke Limited	—	22.3
Properties, plants and equipment, net	1,597.1	1,480.0
Goodwill	72.5	11.6
Other intangible assets, net	193.2	10.4
Deferred charges and other assets	16.0	24.9
Total assets	$2,280.4	$1,986.1
Liabilities and Equity		
Accounts payable	$107.8	$121.3
Accrued liabilities	49.8	67.5
Current portion of long-term debt	1.1	—
Interest payable	9.1	19.9
Total current liabilities	167.8	208.7
Long-term debt	998.0	633.5
Accrual for black lung benefits	44.6	43.9
Retirement benefit liabilities	31.4	33.6
Deferred income taxes	380.4	321.9
Asset retirement obligations	21.9	22.2
Other deferred credits and liabilities	21.9	16.9
Total liabilities	1,666.0	1,280.7
Equity		
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at September 30, 2015 and December 31, 2014	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 71,460,681 and 71,251,529 shares at September 30, 2015 and December 31, 2014, respectively	0.7	0.7
Treasury stock, 7,477,657 and 4,977,115 shares at September 30, 2015 and December 31, 2014, respectively	(140.7)	(105.0)
Additional paid-in capital	484.8	543.6
Accumulated other comprehensive loss	(19.0)	(21.5)
Retained (deficit) earnings	(45.5)	13.9
Total SunCoke Energy, Inc. stockholders’ equity	280.3	431.7
Noncontrolling interests	334.1	273.7

Total equity	614.4	705.4
Total liabilities and equity	$2,280.4	$1,986.1

(See Accompanying Notes)

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

	Nine Months Ended September 30, 2015	2014
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net loss	$(22.6)	$(46.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Asset impairment	—	119.5
Depreciation, depletion and amortization expense	75.8	80.4
Deferred income tax expense (benefit)	6.9	(58.0)
Settlement loss and expense for pension plan	13.1	0.2
Gain on curtailment and payments in excess of expense for postretirement plan benefits	(6.4)	(4.0)
Share-based compensation expense	5.8	7.6
Excess tax benefit from share-based awards	—	(0.3)
Loss from equity method investment	21.6	3.0
Loss on extinguishment of debt	9.4	15.4
Changes in working capital pertaining to operating activities (net of acquisitions):		
Receivables	8.0	22.1
Inventories	20.7	(16.8)
Accounts payable	(10.4)	(37.6)
Accrued liabilities	(19.8)	(16.4)
Interest payable	(10.8)	(10.2)
Income taxes	(5.0)	3.7
Other	(3.3)	(4.2)
Net cash provided by operating activities	83.0	58.4
Cash Flows from Investing Activities:		
Capital expenditures	(49.3)	(107.2)
Acquisition of business	(193.1)	—
Restricted cash	(21.5)	—
Net cash used in investing activities	(263.9)	(107.2)
Cash Flows from Financing Activities:		
Net proceeds from issuance of SunCoke Energy Partners, L.P. units	—	90.5
Proceeds from issuance of long-term debt	210.8	268.1
Repayment of long-term debt	(149.8)	(276.5)
Debt issuance costs	(4.8)	(5.8)
Proceeds from revolving facility	185.0	40.0
Repayment of revolving facility	—	(80.0)
Cash distribution to noncontrolling interests	(31.0)	(23.4)
Shares repurchased	(35.7)	(85.1)
Units repurchased	(10.0)	—
Proceeds from exercise of stock options, net of shares withheld for taxes	(1.0)	1.9
Excess tax benefit from share-based awards	—	0.3
Dividends paid	(18.4)	—
Net cash provided by (used in) financing activities	145.1	(70.0)

Net decrease in cash and cash equivalents	(35.8)	(118.8)
Cash and cash equivalents at beginning of period	139.0	233.6
Cash and cash equivalents at end of period	$103.2	$114.8

(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, 2014	71,251,529	$ 0.7	4,977,115	$ (105.0)	$ 543.6	$ (21.5)	$ 13.9	$ 431.7	$ 273.7	$ 705.4
Net (loss) income	—	—	—	—	—	—	(41.0)	(41.0)	18.4	(22.6)
Retirement benefit plans adjustment (net of related tax benefit of $3.9 million)	—	—	—	—	—	5.7	—	5.7	—	5.7
Currency translation adjustment	—	—	—	—	—	(3.2)	—	(3.2)	—	(3.2)
Deferred taxes related to basis difference in the Partnership	—	—	—	—	(55.6)	—	—	(55.6)	—	(55.6)
Adjustments from changes in ownership of SunCoke Energy Partners, L.P.	—	—	—	—	(8.0)	—	—	(8.0)	83.0	75.0
Cash distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(31.0)	(31.0)
Dividends paid	—	—	—	—	—	—	(18.4)	(18.4)	—	(18.4)
Share-based compensation expense	—	—	—	—	5.8	—	—	5.8	—	5.8
Share issuances, net of shares withheld for taxes	209,152	—	—	—	(1.0)	—	—	(1.0)	—	(1.0)
Shares repurchased		—	2,500,542	(35.7)	—	—	—	(35.7)	—	(35.7)
Partnership unit repurchases	—	—	—	—	—	—	—	—	(10.0)	(10.0)
At September 30, 2015	71,460,681	$ 0.7	7,477,657	$ (140.7)	$ 484.8	$ (19.0)	$ (45.5)	$ 280.3	$ 334.1	$ 614.4

(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.") and an operator of a cokemaking facility in Brazil, in which we have a preferred stock investment. We also have a 49 percent ownership interest in a cokemaking joint venture in India called Visa SunCoke Limited (“VISA SunCoke”). Our Coal Logistics business provides coal handling and/or blending services to third party customers as well as to our own cokemaking facilities. Additionally, we own coal reserves in Virginia and West Virginia, which are mined by contractors.
Our consolidated financial statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded partnership. At September 30, 2015, we owned the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights, and owned a 53.7 percent limited partner interest in the Partnership. The remaining 44.3 percent interest in the Partnership was held by public unitholders.
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 September 30, 2015 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, 2014.
New Accounting Pronouncements
In September 2015, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized at the acquisition date. It is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company does not expect this ASU to have a material effect on the Company's financial condition, results of operations, or cash flows.
In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value, removing the consideration of current replacement cost. It is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company does not expect this ASU to have a material effect on the Company's financial condition, results of operations, or cash flows.
In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. It is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company early adopted this ASU during the first quarter of 2015. See Note 9.
In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU 2015-02 eliminates the deferral of FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)," and makes changes to both the variable interest model and the voting model. It is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company does not expect this ASU to have a material effect on the Company's financial condition,

results of operations, or cash flows.
Reclassifications
Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current year presentation.

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2. Acquisition

Convent Marine Terminal Acquisition

On August 12, 2015, the Partnership completed the acquisition of a 100 percent ownership interest in Raven Energy LLC, which owns Convent Marine Terminal ("CMT") for a total transaction value of $404.5 million. This transaction represents a significant expansion of the Partnership's Coal Logistics business and marks our entry into export coal handling. CMT is one of the largest export terminals on the U.S. gulf coast and provides strategic access to seaborne markets for coal and other industrial materials. Supporting low-cost Illinois basin coal producers, the terminal provides loading and unloading services and has direct rail access and the capability to transload 10 million tons of coal annually. The facility is supported by long-term contracts with volume commitments covering all of its current 10 million ton capacity.

The total transaction value of $404.5 million included the issuance of 4.8 million of the Partnership's common units to the previous owner of Raven Energy LLC, The Cline Group, with an aggregate value of $75.0 million, based on the unit price on the date of close. In addition, the Partnership assumed $114.9 million of a six-year term loan from Raven Energy LLC. The Partnership obtained additional funding for the transaction by drawing $185.0 million on the Partnership's revolving credit facility. The Partnership paid $193.1 million in cash, which was partially funded by SunCoke in exchange for 1.8 million of the Partnership's common units, with an aggregate value of $30.0 million. In connection with the acquisition, we made a capital contribution to the Partnership of approximately $2.3 million in order to preserve our 2 percent general partner interest. An additional $21.5 million in cash was withheld to fund the completion of expansion capital improvements at CMT, which is recorded in restricted cash on the Consolidated Balance Sheet.

The following table summarizes the consideration transferred to acquire CMT:

Fair Value of Consideration Transferred:	(Dollars in millions)
Cash	$193.1
Partnership common units	75.0
Assumption of Raven Energy LLC term loan	114.9
Cash withheld to fund capital expenditures	21.5
Total fair value of consideration transferred:	$404.5

The purchase price allocation has been determined provisionally and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available. The Partnership is in the process of finalizing appraisals of tangible and intangible assets acquired. Accordingly, the provisional measurements are subject to change. In addition, we are in the process of finalizing working capital adjustments for the acquisition, which may result in a corresponding adjustment to the total purchase price as well as the value of assets acquired. Any change in the acquisition date fair value of the acquired net assets will change the amount of the purchase price allocated to goodwill.

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The following table summarizes the amounts of identified assets acquired and liabilities assumed based on the estimated fair value at the acquisition date:

Recognized amounts of identifiable assets acquired and liabilities assumed:	(Dollars in millions)
Receivables	$6.1
Inventories	1.7
Other current assets	0.1
Properties, plants and equipment, net	145.1
Accounts payable	(0.5)
Accrued liabilities	(7.5)
Current portion of long-term debt	(1.1)
Long-term debt	(113.8)
Contingent consideration	(7.9)
Net recognized amounts of identifiable assets acquired	$22.2
Intangible assets	185.0
Goodwill	60.9
Total assets acquired, net of liabilities assumed	$268.1
Plus:	
Debt assumed	114.9
Cash withheld to fund capital expenditures	21.5
Total fair value of consideration transferred	$404.5

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The primary factors that contributed to a premium in the purchase price and the resulting recognition of goodwill were the value of additional capacity and potential for future additional throughput.
The purchase price allocation to identifiable intangible assets, which are all amortizable, along with their respective weighted-average amortization periods at the acquisition date are as follows:

	Weighted - Average Remaining Amortization Years	(Dollars in millions)
Customer contracts	7	$24.0
Customer relationships	17	22.0
Permits	27	139.0
Total		$185.0

The purchase price includes a contingent consideration arrangement that requires the Partnership to make future payments to The Cline Group based on future volume, price, and contract renewals. The fair value of the contingent consideration at the acquisition date was estimated at $7.9 million and was 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. Contingent consideration is included in other deferred credits and liabilities on the Consolidated Balance Sheet.
The results of CMT have been included in the consolidated financial statements since the acquisition date and are reported in the Coal Logistics segment. CMT contributed revenues of $5.7 million and operating income of $2.6 million from the acquisition date to September 30, 2015.

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The below unaudited pro forma estimated combined results of operations have been prepared assuming the acquisition of CMT had taken place at January 1, 2014. The following unaudited pro forma combined results of operations were prepared using historical financial information of CMT:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Total revenues	$ 343.5	$ 393.6	$ 1,041.8	$ 1,152.5
Net (loss) income	$ (17.0)	$ 14.4	$ (22.5)	$ (32.2)
(Loss) income attributable to SunCoke Energy, Inc. per common share:				
Basic	$ (0.37)	$ 0.06	$ (0.63)	$ (0.67)
Diluted	$ (0.37)	$ 0.06	$ (0.63)	$ (0.67)

The pro forma combined results of operations reflect historical results adjusted for interest expense, depreciation adjustments based on the fair value of acquired property, plant and equipment, amortization of acquired identifiable intangible assets, and income tax expense. The pro forma combined results do not include acquisition costs or new contracts.

Cash received from customers based on pro-rata volume commitments under take-or-pay contracts that is in excess of cash earned for services provided during the quarter is recorded as deferred revenue. Deferred revenue on take-or-pay contracts is recognized into income annually based on the terms of the contract. For the nine months ended September 30, 2015 and 2014, CMT deferred $5.1 million and $2.6 million in revenue, respectively, for its take-or-pay contracts.

The unaudited pro forma combined and consolidated financial statements are presented for informational purposes only and do not necessarily reflect future results given the timing of new customer contracts, revenue recognition related to take-or-pay shortfalls, and other effects of integration, nor do they purport to be indicative of the results of operations that actually would have resulted had the acquisition of CMT occurred on January 1, 2014, or future results.

The Partnership incurred $2.2 million and $3.1 million, respectively, in acquisition and business development costs related to CMT as well as other targets for the three and nine months ended September 30, 2015. These expenses are included in selling, general and administrative expenses on the Combined and Consolidated Statements of Income.

3. Dropdown Transactions

Granite City Dropdowns

On January 13, 2015, the Company contributed a 75 percent interest in its Granite City, Illinois cokemaking facility ("Granite City") to the Partnership for a total transaction value of $244.4 million (the "Granite City Dropdown"). Subsequent to the Granite City Dropdown, we continued to own the general partner of the Partnership, which consisted of a 2.0 percent ownership interest and incentive distribution rights, and a 56.1 percent limited partner interest in the Partnership. The remaining 41.9 percent limited partner interest in the Partnership was held by public unitholders and was reflected as a noncontrolling interest in the consolidated financial statements.

The total transaction value of $244.4 million included the issuance of 1.9 million of the Partnership's common units with an aggregate value of $50.1 million to the Company and $1.0 million of general partner interests. In addition, the Partnership assumed and repaid $135.0 million of our 7.625 percent senior notes due in 2019 ("Notes") as well as $5.6 million of accrued interest, of which $1.0 million was included in interest expense, net on the Consolidated Statement of Operations. The total transaction value also included the applicable redemption premium of $7.7 million paid and included in interest expense, net on the Consolidated Statement of Operations. The Partnership withheld the remaining transaction value of $45.0 million to pre-fund our obligation to the Partnership for the anticipated cost of an environmental remediation project at Granite City. The Partnership funded the redemption of the Notes with net proceeds from a private placement of an additional $200.0 million of senior notes due in 2020 ("Partnership Notes"). See Note 9.

On August 12, 2015, the Company contributed an additional 23 percent interest in Granite City to the Partnership for a total transaction value of $65.2 million (the "Granite City Supplemental Dropdown"). The transaction value for the

Granite City Supplemental Dropdown included the issuance of 1.2 million of the Partnership's common units totaling $17.9 million and $0.4 million of general partner interest to the Company. In addition, the Partnership assumed $44.6 million of our Notes and $0.1 million of accrued interest. The total transaction value also included interest incurred of $0.5 million, included in interest expense, net on the Consolidated Statement of Operations, and the applicable redemption premium of approximately $1.7 million, which will be recorded to interest expense upon redemption. The Partnership expects to access the capital markets for long-term financing at a later date.

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We accounted for the Granite City Dropdown and Granite City Supplemental Dropdown as equity transactions, which resulted in increases in noncontrolling interest and decreases in SunCoke Energy's equity of $6.5 million and $1.5 million, respectively, representing the Partnership's common public unitholders' share of the book value of ownership interest received of $114.7 million, net of their share of the transaction value recorded through equity of $106.7 million.

Subsequent to the Granite City Supplemental Dropdown and the acquisition of CMT (Note 2), we continue to own the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights, and a 53.4 percent limited partner interest in the Partnership. The remaining 44.6 percent limited partner interest in the Partnership was held by public unitholders and was reflected as a noncontrolling interest in the consolidated financial statements.

Haverhill and Middletown Dropdown

On May 9, 2014, SunCoke Energy contributed an additional 33 percent interest in each of the Haverhill, Ohio ("Haverhill") and Middletown, Ohio ("Middletown") cokemaking facilities to the Partnership for total transaction value of $365.0 million (the "Haverhill and Middletown Dropdown"). After the Haverhill and Middletown Dropdown, SunCoke Energy continued to own the general partner of the Partnership, which consisted of a 2.0 percent ownership interest and incentive distribution rights, and decreased its limited partner interest in the Partnership from 55.9 percent to 54.1 percent. The remaining 43.9 percent interest in the Partnership was held by public unitholders and was reflected as a noncontrolling interest in the consolidated financial statements.

The total transaction value included 2.7 million common units totaling $80.0 million and $3.3 million of general partner interests. In addition, the Partnership assumed and repaid approximately $271.3 million of our outstanding debt and other liabilities, including a market premium of $11.4 million to complete the tender for and cancellation of certain of our Notes. The remaining transaction value of $10.4 million consisted of a $3.4 million cash payment from the Partnership and $7.0 million withheld by the Partnership to pre-fund our obligation to the Partnership for the anticipated cost of the environmental remediation project at Haverhill.

In conjunction with the Haverhill and Middletown Dropdown, the Partnership issued 3.2 million common units to the public for $88.7 million of net proceeds, which was completed on April 30, 2014, and received approximately $263.1 million of gross proceeds from the issuance of $250.0 million aggregate principal amount of 7.375 percent senior notes due 2020 through a private placement on May 9, 2014. In addition, the Partnership received $5.0 million to fund interest from February 1, 2014 to May 9, 2014, the period prior to the issuance. This interest was paid to noteholders on August 1, 2014. See Note 9.

We accounted for the Haverhill and Middletown Dropdown as an equity transaction, which resulted in a decrease in noncontrolling interest and an increase in SunCoke Energy's equity of $83.7 million, during the second quarter of 2014, representing the Partnership's common public unitholders' share of consideration paid for the acquisition, net of their share of the book value of ownership interest received.

The table below summarizes the effects of the changes in the Company’s ownership interest in Haverhill and Middletown and Granite City on SunCoke’s equity.

.	Three months ended September 30		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Net loss attributable to SunCoke Energy, Inc.	$(23.5)	$(3.6)	$(41.0)	$(60.6)
Decrease in SunCoke Energy, Inc. equity for the contribution of 75 percent interest in Granite City	—	—	(6.5)	—
Decrease in SunCoke Energy, Inc. equity for the contribution of an additional 23 percent interest in Granite City	(1.5)	—	(1.5)	—
Increase in SunCoke Energy, Inc. equity for the contribution of 33 percent interest in Haverhill and	—	83.7	—	83.7

Middletown				
Change from net income attributable to SunCoke Energy, Inc. and dropdown transactions	$(25.0)	80.1	$(49.0)	$23.1

4. Coal Mining Business

In July 2014, after the Company's Board of Directors authorized the Company to sell and/or otherwise dispose of the Company’s Coal Mining business, we reflected our coal mining operations as discontinued operations with the related assets and liabilities presented as held for sale in the Company's consolidated financial statements. In connection with the potential sale, the Company reduced the carrying value of these assets and liabilities to fair value less estimated costs to sell and recorded a valuation allowance of $45.5 million against the assets and liabilities of the Coal Mining business at December 31, 2014.

Beginning in the second quarter of 2015, since a sale of our coal mining business was no longer probable, we reported our Coal Mining segment assets and liabilities as held and used for all periods presented. At June 30, 2015, the net assets were recorded at fair value, with no net impact on the Consolidated Statements of Operations during 2015. Additionally, the Consolidated Balance Sheet at December 31, 2014 was reclassified to reflect the coal mining assets and liabilities as held and used. There have been no changes since the second quarter of 2015 that would require further valuations of the Coal Mining business.

5. Related Party Transactions

Our Coal Logistics business provides coal handling and storage services to Murray Energy Corporation ("Murray") and Foresight Energy LP ("Foresight"), who are related parties with The Cline Group. The Cline Group was the previous owner of Raven Energy LLC and currently owns a 10.2 percent interest in the Partnership as part of the August 12, 2015 CMT acquisition. See Note 2. Coal Logistics recorded revenues derived from services provided to these related parties of $4.4 million for the three and nine months ended September 30, 2015. At September 30, 2015, receivables from Murray and Foresight of $4.5 million were included in receivables on the Consolidated Balance Sheet.

6. Inventories

The components of inventories were as follows:

	September 30, 2015	December 31, 2014
	(Dollars in millions)	
Coal	$83.1	$100.9
Coke	5.6	6.9
Materials, supplies and other	35.9	34.4
Total inventories	$124.6	$142.2

7. 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 months ended September 30, 2015 was 56.4 percent primarily due to income tax expense of $3.8 million related to the acquisition of CMT and income tax expense, net of $2.0 million, due to the cancellation of the Harold Keene Coal Company sales agreement. The Company's effective tax rate for the nine months ended September 30, 2015 was 125.2 percent primarily due to items discussed previously, and income tax expense of $2.1 million related to additional valuation allowances associated with state and local taxes offset by income tax benefit of $1.4 million related to the Granite City Dropdown.

The Company’s effective tax rate for three months ended September 30, 2014 was 43.9 percent primarily due to the asset and goodwill impairment in the Coal Mining segment. The Company’s effective tax rate for nine months ended September 30, 2014 was 53.2 percent primarily due to the asset and goodwill impairment in the Coal Mining segment. In addition, we recorded income tax benefits of $2.0 million related to enacted reduction in Indiana statutory tax rate and $1.0 million related to tax credits and the impact of earnings that are attributable to noncontrolling ownership interests in partnerships.

The acquisition of CMT resulted in a book to tax basis difference related to the SunCoke Energy’s investment in SunCoke Energy Partners LP. As a result, the Company recorded a $55.6 million deferred tax liability, which reduced additional paid in capital.

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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8. Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2015	December 31, 2014
	(Dollars in millions)	
Accrued benefits	$21.3	$27.4
Other taxes payable	11.7	11.7
Accrued severance	4.3	13.0
Deferred revenue	7.6	—
Other	4.9	15.4
Total accrued liabilities	$49.8	$67.5

9. Debt

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

	September 30, 2015	December 31, 2014
	(Dollars in millions)	
7.625% senior notes, due 2019 ("Notes")	$105.0	$240.0
7.375% senior notes, due 2020 (“Partnership Notes”), including original issue premium of $13.6 million and $11.5 million at September 30, 2015 and December 31, 2014, respectively.	613.6	411.5
Partnership's promissory note payable, due 2021 ("Promissory Note")	114.6	—
Partnership's revolving credit facility, due 2019 ("Partnership Revolver")	185.0	—
Debt issuance costs	(19.1)	(18.0)
Total debt	$999.1	$633.5
Less: current portion of long-term debt	1.1	—
Total long-term debt	$998.0	$633.5

Under the Company's credit agreement dated July 26, 2011, as amended ("Credit Agreement"), the Company has a $150.0 million revolving credit facility ("Revolving Facility"). At September 30, 2015, the Revolving Facility had letters of credit outstanding of $1.5 million, leaving $148.5 million available. The Partnership has a $250.0 million Partnership Revolver. On August 12, 2015, in connection with the funding of the acquisition of CMT, the Partnership drew $185.0 million on the Partnership Revolver at a rate that bears interest at a variable rate of LIBOR plus 250 basis points or an alternative base rate, based on the Partnership's total ratios as defined by the Partnership's credit agreement. The spread is subject to change based on the Company's total leverage ratio, as defined in the credit agreement. As of September 30, 2015, the Partnership had $65.0 million available on the Partnership Revolver. During the nine months ended September 30, 2015, we incurred $0.6 million in connection with amendments of our Revolving Facility and the Partnership Revolver.

Also in connection with the acquisition of CMT, the Partnership assumed Raven Energy LLC's debt of $114.9 million ("Promissory Note"). Under the Partnership's third amendment to the amended and restated credit agreement ("Promissory Agreement") dated August 12, 2015, the Partnership shall repay a principal amount of $0.3 million on the Promissory Note each fiscal quarter ending prior to August 12, 2018. For each fiscal quarter ending after August 12, 2018, the Partnership shall repay a principal amount of $2.5 million on the Promissory Note. The entire outstanding amount of the Loan is due in full on August 12, 2021. The Promissory Note shall bear interest on the outstanding principal amount for each day from August 12, 2015, until it becomes due, at a rate per annum equal to 6.0 percent until August 12, 2018. After August 12, 2018, that rate shall be the LIBOR for the interest period then in effect plus 4.5 percent. Interest is due at the end of each fiscal quarter.

On January 13, 2015 in connection with the Granite City Dropdown, the Partnership issued an additional $200.0 million of Partnership Notes. Proceeds of $204.0 million included an original issue premium of $4.0 million. In addition, interest is payable semi-annually in cash in arrears on February 1 and August 1 of each year and the Partnership received $6.8 million to fund interest from August 1, 2014 to January 13, 2014, the interest period prior to issuance. This interest was repaid to noteholders on February 1, 2015. The Partnership incurred debt issuance costs of $5.2 million, of which $1.0 million was considered a modification of debt and was recorded in interest expense, net on the Consolidated Statements of Operations and was included in other operating cash flows on the Consolidated Statements of Cash Flows.

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Also, in connection with the Granite City Dropdown, the Partnership assumed and repaid $135.0 million principal amount of SunCoke Energy's outstanding Notes and paid interest of $5.6 million, $1.0 million of which was included in interest expense, net on the Consolidated Statements of Operations. The Partnership also paid a redemption premium of $7.7 million, which was included in interest expense, net on the Consolidated Statements of Operations. The Partnership assumed $2.2 million in debt issuance costs in connection with the assumption of this debt from SunCoke Energy, $0.7 million of which related to the portion of the debt extinguished and was recorded in interest expense, net on the Consolidated Statements of Operations.

On August 12, 2015, in connection with the Granite City Supplemental Dropdown, the Partnership assumed from SunCoke $44.6 million of Notes.

The Company and the Partnership are subject to certain debt covenants that, among other things, limit the Company's and the 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.

Under the terms of the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio of 3.25:1.00, calculated by dividing total debt by EBITDA as defined by the Credit Agreement, and is allowed unlimited restricted payment capacity if the Company maintains a consolidated leverage ratio less than 2.00 and has at least $75 million of total liquidity (cash on hand and revolver capacity). The Company is also subject to a minimum consolidated interest coverage ratio of 2.75:1.00, calculated by dividing EBITDA by interest expense as defined by the Credit Agreement. Under the terms of the Partnership's revolving credit facility, the Partnership is subject to a maximum consolidated leverage ratio of 4.50:1.00 (and, if applicable. 5.00:1.00 during the remainder of any fiscal quarter and the two immediately succeeding fiscal quarters following our acquisition of additional assets having a fair market value greater than $50 million), calculated by dividing total debt by EBITDA as defined by the Partnership Revolver, and a minimum consolidated interest coverage ratio of 2.50:1.00, calculated by dividing EBITDA by interest expense as defined by the Partnership Revolver.

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 Partnership Revolver could be declared immediately due and payable. The Partnership has a cross-default provision that applies to our indebtedness having a principal amount in excess of $20 million. As of September 30, 2015, the Company and the Partnership were in compliance with all applicable debt covenants contained in the Credit Agreement, Partnership Revolver, 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.

On October 22, 2015, the Company redeemed $60.4 million of the outstanding Notes for $63.7 million which included accrued interest of $1.0 million and a redemption premium of $2.3 million. The company funded the redemption using cash of $3.3 million and $60.4 million from the Revolving Facility.

10. 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. Prior to the termination discussed below, the Company also had a noncontributory defined benefit pension plan ("defined benefit plan"), which provided retirement benefits for certain of its employees.

Effective January 1, 2011, pension benefits under the Company's defined benefit plan were frozen for all participants in this plan. Postretirement medical benefits for future retirees were phased out or eliminated, effective January 1,

2011, for non-mining employees with less than ten years of service and employer costs for all those still eligible for such benefits were capped.
Effective May 30, 2014, Dominion Coal Corporation ("Dominion Coal"), a wholly-owned subsidiary of the Company, terminated its defined benefit plan, a plan that was previously generally offered to all full-time employees of Dominion Coal. Since that time, the Company obtained IRS approval of the plan termination and reached an agreement with a high quality

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insurance company to annuitize the pension plan using plan assets. As a result of the termination of the Dominion Coal defined benefit plan, each participant became fully vested in his or her benefits thereunder without regard to age and years of service.

During June 2015, the plan purchased annuities using plan assets to satisfy the pension obligation. After funding the obligation, remaining pension assets totaled $0.7 million with no remaining pension obligation. As a result of the pension termination, unrecognized losses, which previously were recorded in accumulated other comprehensive loss on the Consolidated Balance Sheet, 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 nine months ended September 30, 2015.

Defined benefit plan expense consisted of the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Interest cost on benefit obligations	$—	$0.3	$0.7	$1.1
Expected return on plan assets	—	(0.4)	(0.6)	(1.3)
Amortization of actuarial losses	—	0.2	0.4	0.4
Net settlement loss(1)	—	—	12.6	—
Total expense	$—	$0.1	$13.1	$0.2

(1) Reflects expense of $13.5 million related to unrecognized losses in accumulated other comprehensive loss, net of income recorded of $0.9 million due to a favorable settlement of the defined benefit obligation.

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Service cost	$—	$0.2	$—	$0.2
Interest cost on benefit obligations	0.3	0.3	0.9	1.1
Amortization of:				
Actuarial losses	0.2	0.2	0.6	0.7
Prior service benefit	(0.2)	(1.4)	(0.9)	(4.2)
Curtailment gain	—	—	(4.0)	—
Total expense (benefit)	$0.3	$(0.7)	$(3.4)	$(2.2)

11. 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 $88 million to date. The remaining capital is expected to be spent through the first quarter of 2018. A portion of the proceeds from the Partnership offering, the Haverhill and Middletown Dropdown and the Granite City Dropdown are being used to fund $119 million of these environmental remediation projects.

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SunCoke Energy has also received NOVs, a Finding of Violation ("FOV"), and information requests from the EPA related to our Indiana Harbor cokemaking facility. After initial discussions with the EPA and the Indiana Department of Environmental Management (“IDEM”), resolution of the NOVs 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. 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 future injunctive relief or potential monetary penalty and any potential future citations. The Company is unable to estimate a range of probable or reasonably possible loss.

In the fourth quarter of 2013, the Company recorded an estimated liability of $2.5 million for the possible reimbursement of certain freight and handling costs incurred by ArcelorMittal related to shipments of coke that did not meet coke quality standards. During the second quarter of 2015, the Company resolved this matter and remitted $2.0 million to ArcelorMittal in the third quarter of 2015.

Other legal and administrative proceedings are pending or may be brought against the Company arising out of its current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, premises-liability claims, allegations of exposures of third parties 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 such matters would not be material in relation to the financial position, results of operations or cash flows of the Company at September 30, 2015.

12. Restructuring

Coal Mining

In connection with the restructuring of our Coal Mining business, the Company recorded $12.5 million of employee-related restructuring costs in 2014 within our Coal Mining segment and does not expect to incur any additional charges. During 2015, we reduced our severance accrual by $2.3 million as a result of changes in estimates, including the relocation of certain coal employees to other areas of our business, the savings of which 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 operations as of and for the nine months ended September 30, 2015, which is included in accrued liabilities on the Consolidated Balance Sheet:

Balance at December 31, 2014	$ 12.5
Changes in severance estimates	(2.3)
Cash payments	(8.1)
Balance at September 30, 2015	$ 2.1

Corporate

In the first quarter of 2014, we initiated a plan to reduce the workforce in our corporate office. We incurred total charges of $1.4 million in Corporate and Other related to this initiative and do not expect to incur any additional charges. The liability related to this restructuring was $0.5 million at December 31, 2014 and was fully paid during the nine months ended September 30, 2015.

13. Share-Based Compensation

During the nine months ended September 30, 2015, we granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Performance Enhancement Plan (“SunCoke LTPEP”).

Stock Options

We granted stock options to purchase 554,294 shares of common stock during the nine months ended September 30, 2015 with an exercise price equal to the closing price of our common stock on the date of grant. The stock options become exercisable in three equal annual installments beginning one year from the date of grant. The stock options expire ten years from the date of grant. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

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The Company calculates the value of each employee stock option, estimated on the date of grant, using the Black-Scholes option pricing model. The weighted-average fair value of employee stock options granted during the nine months ended September 30, 2015 was $5.08 using the following weighted-average assumptions:

	Nine Months Ended September 30, 2015	
Risk-free interest rate	1.67	%
Expected term	5 years	
Volatility	36	%
Dividend yield	1.38	%
Exercise price	$16.90	

We based our expected volatility on our historical volatility over our entire available trading history. 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 dividend yield assumption is based on the Company's expectation of dividend payouts at the time of grant. The expected life of employee options represents the average contractual term adjusted by the average vesting period of each option tranche. The Company estimated a four percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The Company recognized compensation expense of $0.4 million and $1.8 million for stock options during the three and nine months ended September 30, 2015, respectively, and compensation expense of $1.1 million and $3.8 million during the three and nine months ended September 30, 2014, respectively. As of September 30, 2015, there was $2.8 million of total unrecognized compensation cost related to nonvested stock options. This compensation cost is expected to be recognized over the next 1.5 years.

Restricted Stock Units

The Company issued 223,014 restricted stock units ("RSUs") for shares of the Company's common stock during the nine months ended September 30, 2015 that vest in three annual installments beginning one year from the grant date. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP. The weighted-average fair value of the RSUs granted during the nine months ended September 30, 2015 of $16.66 was based on the closing price of our common stock on the date of grant. The Company estimated a ten percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The Company recognized compensation expense of $1.1 million and $3.2 million for RSUs during the three and nine months ended September 30, 2015, respectively, and compensation expense of $1.0 million and $2.9 million for the three and nine months ended September 30, 2014, respectively. As of September 30, 2015, there was $4.5 million of total unrecognized compensation cost related to nonvested RSUs. This compensation cost is expected to be recognized over the next 1.6 years.

Performance Share Units

The Company issued 146,154 performance share units ("PSUs") for shares of the Company's common stock during the nine months ended September 30, 2015 that vest on December 31, 2017. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP. The weighted average fair value of the PSUs granted during the nine months ended September 30, 2015 is $17.58 and 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. The Company estimated a zero percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The number of PSUs ultimately awarded will be adjusted based upon the following metrics: (1) 50 percent of the award 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; and (2) 50 percent of the award will be determined by the Company's three year average pre-tax return on capital for the Company's coke business. Each portion of the award may be adjusted between zero and 200 percent of the original units granted.

The Company recognized a reversal of compensation expense of $0.2 million and compensation expense of $0.5 million for PSUs during the three and nine months ended September 30, 2015, respectively, and compensation expense of $0.3 million and $0.9 million for the three and nine months ended September 30, 2014, respectively. As of September 30, 2015, there was $2.2 million of total unrecognized compensation cost related to nonvested PSUs. This compensation cost is expected to be recognized over the next 2.0 years.

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The Company issued $0.3 million of share-based compensation to the Company's Board of Directors during the nine months ended September 30, 2015.

14. Earnings per Share

Basic earnings per share 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 earnings per share ("EPS") to those used to compute diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Shares in millions)			
Weighted-average number of common shares outstanding-basic	64.5	69.4	65.3	69.5
Add: Effect of dilutive share-based compensation awards	—	—	—	—
Weighted-average number of shares-diluted	64.5	69.4	65.3	69.5

The potential dilutive effect of 3.1 million stock options, 0.5 million restricted stock units and 0.1 million performance share units were excluded from the computation of diluted weighted-average shares outstanding for the three months ended September 30, 2015, and 2.8 million stock options, 0.5 million restricted stock units and 0.2 million performance share units were excluded from the computation of diluted weighted-average shares outstanding for the nine months ended September 30, 2015, as the shares would have been anti-dilutive.

Under the $150.0 million share repurchase program authorized by the Company's Board of Directors on July 23, 2014, the Company entered into a share repurchase agreement on January 28, 2015 for the buyback of $20.0 million of our common stock. On March 18, 2015, 1.2 million shares were received for an average price of $16.89 per share. Additionally, the Company repurchased $15.6 million of our common stock, or 1.3 million shares, in the open market for an average share price of $11.87, during the three months ended September 30, 2015, leaving $39.4 million available under the authorized repurchase program.

15. 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, 2014	$(9.4)	$(12.1)	$(21.5)
Other comprehensive loss before reclassifications	—	(3.2)	(3.2)
Amounts reclassified from accumulated other comprehensive loss	5.7	—	5.7
Net current period other comprehensive income (loss)	5.7	(3.2)	2.5
At September 30, 2015	$(3.7)	$(15.3)	$(19.0)

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Reclassifications out of the accumulated other comprehensive loss were as follows:(1)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Amortization of postretirement and defined benefit plan items to net income:				
Prior service benefit(2)	$(0.2)	$(1.4)	$(0.9)	$(4.2)
Settlement loss(2)	—	—	13.5	—
Actuarial loss(2)	0.2	0.4	1.0	1.1
Curtailment gain(2)	—	—	(4.0)	—
Total expense (income) before taxes	—	(1.0)	9.6	(3.1)
Less income tax (benefit) expense	(0.1)	0.4	(3.9)	1.2
Total expense (income), net of tax	$(0.1)	$(0.6)	$5.7	$(1.9)

(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 10.

16. 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.

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 $7.4 million and $88.2 million at September 30, 2015 and December 31, 2014, 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.

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).

CMT Contingent Consideration

Contingent consideration related to the CMT acquisition is measured at fair value and amounted to $7.9 million at September 30, 2015. See Note 2.

India Equity Method Investment Valuation

As a result of the continued deterioration of market factors, primarily the continuation of low-priced Chinese coke imports and the resulting deterioration of coke margins, the Company evaluated the recoverability of its equity method investment in Visa SunCoke. As a result of this analysis, we recorded a $19.4 million impairment charge during the third

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quarter 2015. This impairment charge was included in loss from equity method investment on the Consolidated Statement of Operations and brought our investment in VISA SunCoke to zero.

The estimated fair value was based on a discounted cash flow analysis and we utilized inputs considered Level 3 in the fair value hierarchy. Key assumptions in the discounted cash flow analysis included the 13.5 percent discount rate and estimated cash flows which considered the timing and extent of future improvements in the Indian market, an important component of which is gross margin recovery. The continuing deterioration of market conditions has resulted in forecasted gross loss of $8 per ton to a forecasted gross margin gain of $13 per ton upon market recovery. A $5 per ton change in the gross margin assumption would impact the valuation of our investment by approximately $8 million. To the extent possible, the Company considered available market information and other third-party data and compared the inputs to relevant historical information.

Certain Financial Assets and Liabilities not Measured at Fair Value

At September 30, 2015, the fair value of the Company’s total debt was estimated to be $952.3 million, compared to a carrying amount of $1,018.2 million, which includes the original issue premium. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions, which are considered Level 2 inputs.

17. Business Segment Information

The Company reports its business through five segments: Domestic Coke, Brazil Coke, India 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 sold 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.

We also own a 49 percent interest in a cokemaking joint venture called VISA SunCoke with VISA Steel. VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. We account for this investment under the equity method and recognize our share of earnings on a one-month lag. The results of our joint venture are presented below in the India Coke segment.

Coal Logistics operations are comprised of SunCoke Lake Terminal, LLC ("Lake Terminal") located in Indiana, Kanawha River Terminals ("KRT") located in Kentucky and West Virginia and CMT located in Louisiana. This business provides coal handling and/or blending services to third party customers as well as SunCoke cokemaking facilities and has a collective capacity to blend and transload more than 40 million tons of coal annually. Coal handling and blending results are presented in the Coal Logistics segment.

The Coal Mining segment conducts coal mining operations near the Company’s Jewell cokemaking facility with mines located in Virginia and West Virginia, which are currently mined by contractors. A substantial portion of the coal production is sold to the Jewell cokemaking facility for conversion into coke. Some coal is also sold to other cokemaking facilities within the Domestic Coke segment. Intersegment coal revenues for sales to the Domestic Coke segment are reflective of the contract price that the facilities within the Domestic Coke segment charge their customers, which approximate the market prices for this quality of metallurgical coal.

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 expense (i.e. black lung, workers compensation, net pension and other postretirement employee benefit obligations). These legacy costs are included in Corporate and Other Adjusted EBITDA. Interest expense, net, which consists principally of interest income and interest expense, net of capitalized interest, is also excluded from segment results. Segment assets, net of tax are those assets that are utilized within a specific segment and exclude deferred taxes and current tax receivables.

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The following table includes Adjusted EBITDA, which is the measure of segment profit or loss reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Sales and other operating revenue:				
Domestic Coke	$311.5	$349.9	$941.1	$1,027.9
Brazil Coke	8.0	8.9	26.4	27.2
Coal Logistics	13.8	8.7	29.7	28.1
Coal Logistics Intersegment Sales	5.7	4.9	15.3	13.6
Coal Mining	2.9	8.7	10.5	22.7
Coal Mining intersegment sales	25.3	37.0	74.3	106.3
Elimination of intersegment sales	(31.0)	(41.9)	(89.6)	(119.9)
Total sales and other operating revenue	$336.2	$376.2	$1,007.7	$1,105.9
Adjusted EBITDA:				
Domestic Coke	$55.9	$72.4	$164.8	$183.5
Brazil Coke	3.4	2.5	10.1	6.7
India Coke	(0.8)	(1.3)	(1.9)	(1.7)
Coal Logistics	10.4	3.8	18.0	10.9
Coal Mining	(4.9)	(2.9)	(13.4)	(9.0)
Corporate and Other, including legacy costs, net(1)	(13.8)	$(10.3)	(46.1)	(31.6)
Total Adjusted EBITDA	$50.2	$64.2	$131.5	$158.8
Depreciation, depletion and amortization expense:				
Domestic Coke(2)	$19.7	$19.3	$57.9	$60.9
Brazil Coke	0.2	0.1	0.5	0.3
Coal Logistics	3.5	2.0	7.2	5.6
Coal Mining(3)	1.6	0.8	8.1	11.5
Corporate and Other	0.6	0.6	2.1	2.1
Total depreciation, depletion and amortization expense	$25.6	$22.8	$75.8	$80.4
Capital expenditures:				
Domestic Coke	$24.3	$23.8	$46.2	$95.9
Brazil Coke	—	0.2	—	0.6
Coal Logistics	0.7	1.2	1.2	2.0
Coal Mining	1.7	3.4	1.7	5.8
Corporate and Other	0.1	0.8	0.2	2.9
Total capital expenditures	$26.8	$29.4	$49.3	$107.2

(1) Legacy costs, net include costs associated with former mining employee-related liabilities prior to the implementation of our current contractor mining business net of certain royalty revenues. See details of these legacy items below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			

Royalty income	$0.3	$0.3	$0.4	$0.6
Black lung charges	(1.4)	(0.5)	(3.3)	(1.5)
Postretirement benefit plan (expense) benefit	(0.1)	0.2	3.7	0.8
Defined benefit plan expense	—	(0.1)	(13.1)	(0.2)
Workers compensation expense	(0.2)	(1.0)	(1.6)	(3.3)
Total legacy costs, net	$(1.4)	$(1.1)	$(13.9)	$(3.6)

(2) In prior years, the Company revised the estimated useful life of certain assets at Indiana Harbor in connection with both the refurbishment project as well as the additional work on the oven floors and sole flues, which resulted in additional depreciation of $0.4 million, or $0.01 per common share, and $3.0 million, or $0.04 per common share, for the three months ended September 30, 2015 and 2014, respectively, and $1.1 million, or $0.02 per common share, and $12.4 million, or $0.18 per common share, for the nine months ended September 30, 2015 and 2014, respectively.
(3) Based on the Company plans to demolish the preparation plant, in 2015 we revised the estimated useful lives of certain coal preparation plant assets located at our Jewell facility, which resulted in additional depreciation of $4.7 million, or $0.07 per common share, during the nine months ended September 30, 2015.
The following table sets forth the Company's total sales and other operating revenue by product or service:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Sales and other operating revenue:				
Coke sales	$295.9	$333.8	$893.7	$978.5
Steam and electricity sales	15.6	16.2	47.3	49.6
Operating and licensing fees	8.0	8.9	26.4	27.2
Metallurgical coal sales	2.3	7.3	8.9	18.8
Coal logistics	13.2	8.2	28.4	26.3
Other	1.2	1.8	3.0	5.5
Sales and other operating revenue	$336.2	$376.2	$1,007.7	$1,105.9

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

	September 30, 2015	December 31, 2014
	(Dollars in millions)	
Segment assets		
Domestic Coke	$1,598.7	$ 1,577.9
Brazil Coke	49.2	61.6
India Coke	—	22.5
Coal Logistics	534.1	114.4
Coal Mining	26.2	45.9
Corporate and Other	42.7	131.4
Segment assets, excluding tax assets	2,250.9	1,953.7
Tax assets	29.5	32.4
Total assets	$2,280.4	$ 1,986.1

The Company evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") adjusted for impairments, coal rationalization costs, sales discounts, Coal Logistics deferred revenue and interest, taxes, depreciation and amortization attributable to our equity method investment. Prior to the expiration of our nonconventional fuel tax credits in November 2013, Adjusted EBITDA included an add-back of sales discounts related to the sharing of these credits with customers. Any adjustments to these amounts subsequent to 2013 have been included in Adjusted EBITDA. Coal Logistics deferred revenue represents cash received on Coal Logistics take-or-pay contracts for which revenue has not yet been recognized under GAAP. Including Coal Logistics deferred revenue in Adjusted EBITDA reflects the cash flow of our contractual arrangements. Our Adjusted EBITDA also includes EBITDA 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

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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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Adjusted EBITDA attributable to SunCoke Energy, Inc.	$30.1	$46.0	$75.2	$116.8
Add: Adjusted EBITDA attributable to noncontrolling interests(1)	20.1	18.2	56.3	42.0
Adjusted EBITDA	$50.2	$64.2	$131.5	$158.8
Subtract:				
Adjustment to unconsolidated affiliate earnings(2)	$19.8	$0.3	$20.8	$2.4
Nonrecurring coal rationalization costs(3)	0.8	0.3	0.4	0.8
Depreciation, depletion and amortization expense	25.6	22.8	75.8	80.4
Interest expense, net	14.6	11.9	50.9	51.1
Income tax expense (benefit)	4.8	6.1	5.1	(48.9)
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits(4)	—	—	—	(0.5)
Asset and goodwill impairment	—	16.4	—	119.5
Coal Logistics deferred revenue(5)	1.1	—	1.1	—
Net loss	$(16.5)	$6.4	$(22.6)	$(46.0)
Add:				
Asset and goodwill impairment	$—	$16.4	$—	$119.5
Depreciation, depletion and amortization	25.6	22.8	75.8	80.4
Deferred income tax benefit	8.0	11.9	6.9	(58.0)
Loss on extinguishment of debt	—	—	9.4	15.4
Changes in working capital and other	(10.7)	(24.4)	13.5	(52.9)
Net cash provided by operating activities	$6.4	$33.1	$83.0	$58.4

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

(2) Reflects share of interest, taxes, depreciation and amortization related to VISA SunCoke. The three and nine months ended September 30, 2015 also reflect a $19.4 million impairment of our investment.

(3) Nonrecurring coal rationalization costs include employee severance, contract termination costs and other one-time costs to idle mines incurred during the execution of our coal rationalization plan.

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(4) Sales discounts are related to nonconventional fuel tax credits, which expired in 2013. At December 31, 2013, we had $13.6 million accrued related to sales discounts to be paid to our customer at our Granite City facility. During the first quarter of 2014, we settled this obligation for $13.1 million which resulted in a gain of $0.5 million. This gain is recorded in sales and other operating revenue on our Consolidated Statements of Operations.

(5) Coal Logistics deferred revenue represents revenue excluded from sales and other operating income for GAAP purposes related to the timing of revenue recognition on the Coal Logistics take-or-pay contracts. Including take-or-pay shortfalls within Adjusted EBITDA matches cash flows with Adjusted EBITDA.

18. Supplemental Condensed Consolidating Financial Information

Certain 100 percent owned subsidiaries of the Company serve as guarantors of the obligations under the Credit Agreement and $105 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, 2014, less than 25 percent of net assets were restricted.

In connection with the Granite City Dropdown, we entered into an amendment to our Credit Agreement. In conjunction with the amendment, we designated Gateway Energy & Coke Company, LLC and Gateway Cogeneration Company, LLC as unrestricted subsidiaries. As such, they are presented as "Non-Guarantor Subsidiaries." Prior periods have been restated to reflect this change.

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 September 30, 2015
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$52.5	$283.7	$—	$336.2
Equity in (loss) earnings of subsidiaries	(14.9)	13.2	—	1.7	—
Other income	—	0.7	—	—	0.7
Total revenues	(14.9)	66.4	283.7	1.7	336.9
Costs and operating expenses					
Cost of products sold and operating expense	—	46.2	220.1	—	266.3
Selling, general and administrative expense	1.9	8.6	11.4	—	21.9
Depreciation, depletion and amortization expense	—	3.7	21.9	—	25.6
Total costs and operating expenses	1.9	58.5	253.4	—	313.8
Operating (loss) income	(16.8)	7.9	30.3	1.7	23.1
Interest (income) expense, net - affiliate	—	(1.9)	1.9	—	—
Interest expense, net	2.1	—	12.5	—	14.6
Total financing expense (income), net	2.1	(1.9)	14.4	—	14.6
(Loss) Income before income tax expense (benefit) and loss from equity method investment	(18.9)	9.8	15.9	1.7	8.5
Income tax expense (benefit)	4.6	(3.2)	3.4	—	4.8
Loss from equity method investment	—	—	20.2	—	20.2
Net (loss) income	(23.5)	13.0	(7.7)	1.7	(16.5)
Less: Net income attributable to noncontrolling interests	—	—	7.0	—	7.0
Net (loss) income attributable to SunCoke Energy, Inc.	$(23.5)	$13.0	$(14.7)	$1.7	$(23.5)
Comprehensive (loss) income	$(27.7)	$12.9	$(9.3)	$5.9	$(18.2)
Less: Comprehensive income attributable to noncontrolling interests	—	—	7.0	—	7.0
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(27.7)	$12.9	$(16.3)	$5.9	$(25.2)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Three months ended September 30, 2014
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$61.5	$314.7	$—	$376.2
Equity in earnings (loss) of subsidiaries	11.0	31.6	—	(42.6)	—
Other (loss) income	(0.1)	0.9	—	—	0.8
Total revenues	10.9	94.0	314.7	(42.6)	377.0
Costs and operating expenses					
Cost of products sold and operating expense	—	51.1	241.6	—	292.7
Selling, general and administrative expense	3.5	7.3	8.4	—	19.2
Depreciation, depletion and amortization expense	—	2.8	20.0	—	22.8
Asset and goodwill impairment	—	16.4	—	—	16.4
Total costs and operating expenses	3.5	77.6	270.0	—	351.1
Operating income (loss)	7.4	16.4	44.7	(42.6)	25.9
Interest (income) expense, net - affiliate	—	(1.9)	1.9	—	—
Interest expense (income), net	5.2	(0.7)	7.4	—	11.9
Total financing expense (income), net	5.2	(2.6)	9.3	—	11.9
Income (loss) before income tax expense (benefit) and loss from equity method investment	2.2	19.0	35.4	(42.6)	14.0
Income tax expense (benefit) expense	5.8	0.5	(0.2)	—	6.1
Loss from equity method investment	—	—	1.5	—	1.5
Net (loss) income	(3.6)	18.5	34.1	(42.6)	6.4
Less: Net income attributable to noncontrolling interests	—	—	10.0	—	10.0
Net (loss) income attributable to SunCoke Energy, Inc.	$(3.6)	$18.5	$24.1	$(42.6)	$(3.6)
Comprehensive (loss) income	$(6.6)	$17.9	$31.7	$(39.6)	$3.4
Less: Comprehensive income attributable to noncontrolling interests	—	—	10.0	—	10.0
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(6.6)	$17.9	$21.7	$(39.6)	$(6.6)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Nine Months Ended September 30, 2015
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$159.1	$848.6	$—	$1,007.7
Equity in (loss) earnings of subsidiaries	(23.2)	32.1	—	(8.9)	—
Other income (loss)	—	1.5	(0.1)	—	1.4
Total revenues	(23.2)	192.7	848.5	(8.9)	1,009.1
Costs and operating expenses					
Cost of products sold and operating expense	—	153.9	670.5	—	824.4
Selling, general and administrative expense	7.4	17.1	29.4	—	53.9
Depreciation, depletion and amortization expense	—	14.5	61.3	—	75.8
Total costs and operating expenses	7.4	185.5	761.2	—	954.1
Operating (loss) income	(30.6)	7.2	87.3	(8.9)	55.0
Interest (income) expense, net - affiliate	—	(5.5)	5.5	—	—
Interest expense (income), net	7.2	(0.4)	44.1	—	50.9
Total financing expense (income), net	7.2	(5.9)	49.6	—	50.9
(Loss) income before income tax expense (benefit) and loss from equity method investment	(37.8)	13.1	37.7	(8.9)	4.1
Income tax expense (benefit)	3.2	(0.3)	2.2	—	5.1
Loss from equity method investment	—	—	21.6	—	21.6
Net (loss) income	(41.0)	13.4	13.9	(8.9)	(22.6)
Less: Net income attributable to noncontrolling interests	—	—	18.4	—	18.4
Net (loss) income attributable to SunCoke Energy, Inc.	$(41.0)	$13.4	$(4.5)	$(8.9)	$(41.0)
Comprehensive (loss) income	$(41.0)	$19.1	$10.7	$(8.9)	$(20.1)
Less: Comprehensive income attributable to noncontrolling interests	—	—	18.4	—	18.4
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(41.0)	$19.1	$(7.7)	$(8.9)	$(38.5)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Nine Months Ended September 30, 2014
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$179.3	$926.6	$—	$1,105.9
Equity in (loss) earnings of subsidiaries	(50.3)	46.4	—	3.9	—
Other (loss) income	(0.1)	2.9	0.1	—	2.9
Total revenues	(50.4)	228.6	926.7	3.9	1,108.8
Costs and operating expenses					
Cost of products sold and operating expense	—	145.0	741.7	—	886.7
Selling, general and administrative expense	10.4	26.9	25.7	—	63.0
Depreciation, depletion and amortization expense	—	17.6	62.8	—	80.4
Asset and goodwill impairment	—	119.5	—	—	119.5
Total costs and operating expenses	10.4	309.0	830.2	—	1,149.6
Operating (loss) income	(60.8)	(80.4)	96.5	3.9	(40.8)
Interest (income) expense, net - affiliate	—	(5.5)	5.5	—	—
Interest expense (income), net	21.3	(1.5)	31.3	—	51.1
Total financing expense (income), net	21.3	(7.0)	36.8	—	51.1
(Loss) income before income tax (benefit) expense and loss from equity method investment	(82.1)	(73.4)	59.7	3.9	(91.9)
Income tax (benefit) expense	(21.5)	(36.3)	8.9	—	(48.9)
Loss from equity method investment	—	—	3.0	—	3.0
Net (loss) income	(60.6)	(37.1)	47.8	3.9	(46.0)
Less: Net income attributable to noncontrolling interests	—	—	14.6	—	14.6
Net (loss) income attributable to SunCoke Energy, Inc.	$(60.6)	$(37.1)	$33.2	$3.9	$(60.6)
Comprehensive (loss) income	$(61.2)	$(39.0)	$49.1	$4.5	$(46.6)
Less: Comprehensive income attributable to noncontrolling interests	—	—	14.6	—	14.6
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(61.2)	$(39.0)	$34.5	$4.5	$(61.2)

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SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
September 30, 2015
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$15.7	$87.5	$—	$103.2
Receivables	—	10.6	65.7	—	76.3
Inventories	—	12.3	112.3	—	124.6
Income taxes receivable	17.9	—	6.3	(13.2)	11.0
Deferred income taxes	—	17.7	0.8	—	18.5
Other current assets	—	3.0	2.0	—	5.0
Advances to affiliate		242.9	—	(242.9)	—
Total current assets	17.9	302.2	274.6	(256.1)	338.6
Restricted cash	—	0.5	21.5	—	22.0
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazil cokemaking operations	—	—	41.0	—	41.0
Equity method investment in VISA SunCoke Limited	—	—	—	—	—
Properties, plants and equipment, net	—	80.5	1,516.6	—	1,597.1
Goodwill	—	3.4	69.1	—	72.5
Other intangible assets, net	—	3.0	190.2	—	193.2
Deferred charges and other assets	0.2	13.6	2.2	—	16.0
Investment in subsidiaries	508.3	664.6	—	(1,172.9)	—
Total assets	$526.4	$1,156.8	$2,415.2	$(1,818.0)	$2,280.4
Liabilities and Equity					
Advances from affiliate	$139.3	$—	$103.6	$(242.9)	$—
Accounts payable	—	17.2	90.6	—	107.8
Accrued liabilities	0.1	22.4	27.3	—	49.8
Current portion of long-term debt	—	—	1.1	—	1.1
Interest payable	0.8	—	8.3	—	9.1
Income taxes payable	—	13.2	—	(13.2)	—
Total current liabilities	140.2	52.8	230.9	(256.1)	167.8
Long-term debt	58.2	—	939.8	—	998.0
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	44.6	—	—	44.6
Retirement benefit liabilities	—	31.4	—	—	31.4
Deferred income taxes	46.3	331.3	2.8	—	380.4
Asset retirement obligations	—	13.7	8.2	—	21.9
Other deferred credits and liabilities	1.4	11.2	9.3	—	21.9
Total liabilities	246.1	785.0	1,280.0	(645.1)	1,666.0
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at September 30, 2015	—	—	—	—	—
	0.7	—	—	—	0.7

Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 71,460,681 shares at September 30, 2015					
Treasury stock, 7,477,657 shares at September 30, 2015	(140.7)	—	—	—	(140.7)
Additional paid-in capital	484.8	19.2	592.5	(611.7)	484.8
Accumulated other comprehensive (loss) income	(19.0)	(3.6)	(15.4)	19.0	(19.0)
Retained earnings	(45.5)	356.2	224.0	(580.2)	(45.5)
Total SunCoke Energy, Inc. stockholders' equity	280.3	371.8	801.1	(1,172.9)	280.3
Noncontrolling interests	—	—	334.1	—	334.1
Total equity	280.3	371.8	1,135.2	(1,172.9)	614.4
Total liabilities and equity	$526.4	$1,156.8	$2,415.2	$ (1,818.0)	$2,280.4

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SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
December 31, 2014
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$102.4	$36.6	$—	$139.0
Receivables	0.1	20.3	57.8	—	78.2
Inventories	—	17.8	124.4	—	142.2
Income tax receivable	28.0	—	—	(22.0)	6.0
Deferred income taxes	2.6	17.7	8.7	(2.6)	26.4
Other current assets	—	2.7	0.9	—	3.6
Advances to affiliates	—	99.1	—	(99.1)	—
Total current assets	30.7	260.0	228.4	(123.7)	395.4
Restricted cash	—	0.5	—	—	0.5
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazilian cokemaking operations	—	—	41.0	—	41.0
Equity method investment in VISA SunCoke Limited	—	—	22.3	—	22.3
Properties, plants and equipment, net	—	88.1	1,391.9	—	1,480.0
Goodwill	—	3.4	8.2	—	11.6
Other intangible assets, net	—	3.5	6.9	—	10.4
Deferred charges and other assets	0.3	18.5	6.1	—	24.9
Investment in subsidiaries	718.2	760.1	—	(1,478.3)	—
Total assets	$749.2	$1,223.1	$2,004.8	$(1,991.0)	$1,986.1
Liabilities and Equity					
Advances from affiliate	$73.4	$—	$25.7	$(99.1)	$—
Accounts payable	—	23.2	98.1	—	121.3
Accrued liabilities	0.1	45.6	21.8	—	67.5
Interest payable	7.6	—	12.3	—	19.9
Income taxes payable	—	18.9	3.1	(22.0)	—
Total current liabilities	81.1	87.7	161.0	(121.1)	208.7
Long-term debt	234.5	—	399.0	—	633.5
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	43.9	—	—	43.9
Retirement benefit liabilities	—	33.6	—	—	33.6
Deferred income taxes	—	235.1	89.4	(2.6)	321.9
Asset retirement obligations	—	14.3	7.9	—	22.2
Other deferred credits and liabilities	1.9	13.6	1.4	—	16.9
Total liabilities	317.5	728.2	747.7	(512.7)	1,280.7
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at December 31, 2014	—	—	—	—	—
	0.7	—	—	—	0.7

Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 71,251,529 shares at December 31, 2014					
Treasury Stock, 4,977,115 shares at December 31, 2014	(105.0)	—	—	—	(105.0)
Additional paid-in capital	543.6	161.4	767.1	(928.5)	543.6
Accumulated other comprehensive (loss) income	(21.5)	(9.3)	(12.2)	21.5	(21.5)
Retained earnings	13.9	342.8	228.5	(571.3)	13.9
Total SunCoke Energy, Inc. stockholders' equity	431.7	494.9	983.4	(1,478.3)	431.7
Noncontrolling interests	—	—	273.7	—	273.7
Total equity	431.7	494.9	1,257.1	(1,478.3)	705.4
Total liabilities and equity	$749.2	$1,223.1	$2,004.8	$(1,991.0)	$1,986.1

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2015
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net (loss) income	$(41.0)	$13.4	$13.9	$(8.9)	$(22.6)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization expense	—	14.5	61.3	—	75.8
Deferred income tax (benefit) expense	(6.8)	14.3	(0.6)	—	6.9
Settlement loss and expense for pension plan	—	13.1	—	—	13.1
Gain on curtailment and payments in excess of expense for postretirement plan	—	(6.4)	—	—	(6.4)
Share-based compensation expense	5.8	—	—	—	5.8
Equity in earnings (loss) of subsidiaries	23.2	(32.1)	—	8.9	—
Loss from equity method investment	—	—	21.6	—	21.6
Loss on extinguishment of debt	—	—	9.4	—	9.4
Changes in working capital pertaining to operating activities (net of acquisitions):					
Receivables	0.1	9.7	(1.8)	—	8.0
Inventories	—	6.9	13.8	—	20.7
Accounts payable	—	(4.3)	(6.1)	—	(10.4)
Accrued liabilities	—	(17.9)	(1.9)	—	(19.8)
Interest payable	(6.8)	—	(4.0)	—	(10.8)
Income taxes	10.1	(5.7)	(9.4)	—	(5.0)
Other	(0.4)	(3.6)	0.7	—	(3.3)
Net cash (used in) provided by operating activities	(15.8)	1.9	96.9	—	83.0
Cash Flows from Investing Activities:					
Capital expenditures	—	(8.2)	(41.1)	—	(49.3)
Acquisition of business	—	—	(193.1)	—	(193.1)
Restricted cash	—	—	(21.5)	—	(21.5)
Net cash used in investing activities	—	(8.2)	(255.7)	—	(263.9)
Cash Flows from Financing Activities:					
Proceeds from issuance of long-term debt	—	—	210.8	—	210.8
Repayment of long-term debt	—	—	(149.8)	—	(149.8)
Debt issuance costs	—	—	(4.8)	—	(4.8)
Proceeds from revolving facility	—	—	185.0	—	185.0
Cash distribution to noncontrolling interests	—	—	(31.0)	—	(31.0)
Shares repurchased	(35.7)	—	—	—	(35.7)
Units repurchased	—	—	(10.0)	—	(10.0)
Proceeds from exercise of stock options, net of shares withheld for taxes	(1.0)	—	—	—	(1.0)
Dividends paid	(18.4)	—	—	—	(18.4)
Net increase (decrease) in advances from affiliate	70.9	(80.4)	9.5	—	—
Net cash provided by (used in) financing activities	15.8	(80.4)	209.7	—	145.1

Net (decrease) increase in cash and cash equivalents	—	(86.7)	50.9	—	(35.8)
Cash and cash equivalents at beginning of period	—	102.4	36.6	—	139.0
Cash and cash equivalents at end of period	$—	$15.7	$87.5	$—	$103.2

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2014
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net (loss) income	$(60.6)	$(37.1)	$47.8	$3.9	$(46.0)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Asset and goodwill impairment	—	119.5	—	—	119.5
Depreciation, depletion and amortization expense	—	17.6	62.8	—	80.4
Deferred income tax (benefit) expense	(2.8)	(54.8)	(0.4)	—	(58.0)
Settlement loss and expense for pension plan	—	0.2	—	—	0.2
Gain on curtailment and payments in excess of expense for postretirement plan benefits	—	(4.0)	—	—	(4.0)
Share-based compensation expense	7.6	—	—	—	7.6
Excess tax benefit from share-based awards	(0.3)	—	—	—	(0.3)
Equity in earnings (loss) of subsidiaries	50.3	(46.4)	—	(3.9)	—
Loss from equity method investment	—	—	3.0	—	3.0
Loss on extinguishment of debt	—	—	15.4	—	15.4
Changes in working capital pertaining to operating activities:					
Receivables	—	31.0	(8.9)	—	22.1
Inventories	—	(1.5)	(15.3)	—	(16.8)
Accounts payable	—	(10.2)	(27.4)	—	(37.6)
Accrued liabilities	(0.4)	(4.5)	(11.5)	—	(16.4)
Interest payable	(10.5)	7.3	(7.0)	—	(10.2)
Income taxes payable	13.8	(23.5)	13.4	—	3.7
Other	(1.6)	(7.0)	4.4	—	(4.2)
Net cash (used in) provided by operating activities	(4.5)	(13.4)	76.3	—	58.4
Cash Flows from Investing Activities:					
Capital expenditures	—	(8.1)	(99.1)	—	(107.2)
Net cash used in investing activities	—	(8.1)	(99.1)	—	(107.2)
Cash Flows from Financing Activities:					
Net proceeds from issuance of SunCoke Energy Partners, L.P. units	—	—	90.5	—	90.5
Proceeds from issuance of long-term debt	—	—	268.1	—	268.1
Repayment of long-term debt	(0.2)	—	(276.3)	—	(276.5)
Debt issuance cost	—	—	(5.8)	—	(5.8)
Proceeds from revolving facility	—	—	40.0	—	40.0
Repayments of revolving facility	—	—	(80.0)	—	(80.0)
Cash distribution to noncontrolling interests	—	—	(23.4)	—	(23.4)
Shares repurchased	(85.1)	—	—	—	(85.1)
Proceeds from exercise of stock options	1.9	—	—	—	1.9
Excess tax benefit from share-based awards	0.3	—	—	—	0.3
Net increase (decrease) in advances from affiliates	87.6	(80.9)	(6.7)		—

Net cash provided by (used in) financing activities	4.5	(80.9)	6.4	—	(70.0)
Net (decrease) increase in cash and cash equivalents	—	(102.4)	(16.4		