SunCoke Energy, Inc.
Form 10-Q
April 26, 2018
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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 March 31, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-35243

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

Delaware	90-0640593
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1011 Warrenville Road, Suite 600
Lisle, Illinois 60532
(630) 824-1000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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 April 20, 2018, there were 64,659,051 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 Income
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(Dollars and shares in millions, except per share amounts)	
Revenues		
Sales and other operating revenue	$ 350.5	$ 309.7
Costs and operating expenses		
Cost of products sold and operating expenses	270.6	234.2
Selling, general and administrative expenses	15.9	19.6
Depreciation and amortization expense	32.9	33.3
Total costs and operating expenses	319.4	287.1
Operating income	31.1	22.6
Interest expense, net	15.8	14.0
Loss on extinguishment of debt	0.3	0.1
Income before income tax expense	15.0	8.5
Income tax expense	2.0	66.2
Net income (loss)	13.0	(57.7)
Less: Net income (loss) attributable to noncontrolling interests	4.3	(58.7)
Net income attributable to SunCoke Energy, Inc.	$ 8.7	$ 1.0
Earnings attributable to SunCoke Energy, Inc. per common share:		
Basic	$ 0.13	$ 0.02
Diluted	$ 0.13	$ 0.02
Weighted average number of common shares outstanding:		
Basic	64.6	64.3
Diluted	65.4	65.1

(See Accompanying Notes)

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Net income (loss)	$13.0	$(57.7)
Other comprehensive income:		
Currency translation adjustment	(0.1)	0.1
Comprehensive income (loss)	12.9	(57.6)
Less: Comprehensive income (loss) attributable to noncontrolling interests	4.3	(58.7)
Comprehensive income attributable to SunCoke Energy, Inc.	$8.6	$1.1

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Balance Sheets

	March 31, 2018 (Unaudited)	December 31, 2017
	(Dollars in millions, except par value amounts)	
Assets		
Cash and cash equivalents	$147.0	$ 120.2
Receivables	75.3	68.5
Inventories	110.1	111.0
Income tax receivable	5.4	4.8
Other current assets	9.0	6.7
Total current assets	346.8	311.2
Properties, plants and equipment (net of accumulated depreciation of $762.8 and $733.2 million at March 31, 2018 and December 31, 2017, respectively)	1,488.2	1,501.3
Goodwill	76.9	76.9
Other intangible assets, net	165.1	167.9
Deferred charges and other assets	3.0	2.8
Total assets	$2,080.0	$ 2,060.1
Liabilities and Equity		
Accounts payable	$131.1	$ 115.5
Accrued liabilities	44.3	53.2
Deferred revenue	3.6	1.7
Current portion of long-term debt and financing obligation	3.8	2.6
Interest payable	17.1	5.4
Total current liabilities	199.9	178.4
Long-term debt and financing obligation	860.2	861.1
Accrual for black lung benefits	45.4	44.9
Retirement benefit liabilities	27.7	28.2
Deferred income taxes	257.7	257.8
Asset retirement obligations	14.1	14.0
Other deferred credits and liabilities	15.5	16.1
Total liabilities	1,420.5	1,400.5
Equity		
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at both March 31, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 72,076,092 and 72,006,905 shares at March 31, 2018 and December 31, 2017, respectively	0.7	0.7
Treasury stock, 7,477,657 shares at both March 31, 2018 and December 31, 2017	(140.7)	(140.7)
Additional paid-in capital	486.0	486.2
Accumulated other comprehensive loss	(21.3)	(21.2)
Retained earnings	109.9	101.2
Total SunCoke Energy, Inc. stockholders’ equity	434.6	426.2
Noncontrolling interests	224.9	233.4
Total equity	659.5	659.6
Total liabilities and equity	$2,080.0	$ 2,060.1

(See Accompanying Notes)

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$13.0	$(57.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	32.9	33.3
Deferred income tax expense	0.2	65.8
Payments in excess of expense for postretirement plan benefits	(0.6)	(0.7)
Share-based compensation expense	0.8	1.6
Loss on extinguishment of debt	0.3	0.1
Changes in working capital pertaining to operating activities:		
Receivables	(6.8)	(1.5)
Inventories	0.9	(18.6)
Accounts payable	14.0	26.4
Accrued liabilities	(8.7)	(8.9)
Deferred revenue	1.9	3.1
Interest payable	11.7	(9.5)
Income taxes	(0.6)	(1.1)
Other	(1.7)	(2.8)
Net cash provided by operating activities	57.3	29.5
Cash Flows from Investing Activities:		
Capital expenditures	(15.4)	(12.7)
Return of Brazilian investment	—	20.5
Net cash (used in) provided by investing activities	(15.4)	7.8
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	45.0	—
Repayment of long-term debt	(44.9)	(0.3)
Debt issuance costs	(0.5)	(0.6)
Proceeds from revolving credit facility	53.5	10.0
Repayment of revolving credit facility	(53.5)	(10.0)
Repayment of financing obligation	(0.6)	(0.6)
Acquisition of additional interest in the Partnership	(3.4)	—
Cash distribution to noncontrolling interests	(10.6)	(12.4)
Other financing activities	(0.1)	(0.3)
Net cash used in financing activities	(15.1)	(14.2)
Net increase in cash, cash equivalents and restricted cash	26.8	23.1
Cash, cash equivalents and restricted cash at beginning of period	120.2	134.5
Cash, cash equivalents and restricted cash at end of period	$147.0	$157.6
Supplemental Disclosure of Cash Flow Information		
Interest paid	$3.5	$22.6
Income taxes paid, net of refunds of zero and $0.1 million in the three months ended March 31, 2018 and 2017, respectively.	$2.3	$1.5

(See Accompanying Notes)

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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total SunCoke Energy, Inc. Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
	(Dollars in millions)									
At December 31, 2017	72,006,905	$ 0.7	7,477,657	$ (140.7)	$ 486.2	$ (21.2)	$ 101.2	$ 426.2	$ 233.4	$ 659.6
Net income	—	—	—	—	—	—	8.7	8.7	4.3	13.0
Currency translation adjustment	—	—	—	—	—	(0.1)	—	(0.1)	—	(0.1)
Cash distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(10.6)	(10.6)
Share-based compensation expense	—	—	—	—	0.8	—	—	0.8	—	0.8
Share-issuances, net of shares withheld for taxes	69,187	—	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Acquisition of additional interest in the Partnership:										
Cash paid	—	—	—	—	(1.2)	—	—	(1.2)	(2.2)	(3.4)
Deferred tax adjustment	—	—	—	—	0.3	—	—	0.3	—	0.3
At March 31, 2018	72,076,092	$ 0.7	7,477,657	$ (140.7)	$ 486.0	$ (21.3)	$ 109.9	$ 434.6	$ 224.9	$ 659.5

(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 the largest independent producer of high-quality coke in the Americas, as measured by tons of coke produced each year, and has approximately 55 years of coke production experience. Coke is a principal raw material in the blast furnace steelmaking process and is produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. Additionally, we own and operate a logistics business, which primarily provides handling and/or mixing services of coal and other aggregates to third-party customers as well as to our own cokemaking facilities.
We have designed, developed, built, own and operate five cokemaking facilities in the United States (“U.S.”), which consist of our Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown"), Gateway Energy and Coke Company, LLC ("Granite City"), Jewell Coke Company, L.P. ("Jewell") and Indiana Harbor Coke Company ("Indiana Harbor") cokemaking facilities. Our cokemaking facilities have collective nameplate capacity to produce approximately 4.2 million tons of coke per year. Additionally, we have designed and operate one cokemaking facility in Brazil under licensing and operating agreements on behalf of ArcelorMittal Brasil S.A. ("ArcelorMittal Brazil”), which has approximately 1.7 million tons of annual cokemaking capacity.
Our cokemaking ovens utilize efficient, modern heat recovery technology designed to combust the coal’s volatile components liberated during the cokemaking process and use the resulting heat to create steam or electricity for sale. This differs from by-product cokemaking, which repurposes the coal’s liberated volatile components for other uses. We have constructed the only greenfield cokemaking facilities in the U.S. in approximately 30 years and are the only North American coke producer that utilizes heat recovery technology in the cokemaking process. We provide steam pursuant to steam supply and purchase agreements with our customers. Electricity is sold into the regional power market or pursuant to energy sales agreements.
Our logistics business provides handling and/or mixing services to steel, coke (including some of our domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. Our logistics business consists of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT"), SunCoke Lake Terminal, LLC ("Lake Terminal") and Dismal River Terminal, LLC ("DRT") and has collective capacity to mix and/or transload more than 40 million tons of coal and other aggregates annually and has total storage capacity of approximately 3 million tons.
Our consolidated financial statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded partnership. At March 31, 2018, we owned the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights, and owned a 60.3 percent limited partner interest in the Partnership. The remaining 37.7 percent interest in the Partnership was held by public unitholders. SunCoke is considered the primary beneficiary of the Partnership as it has the power to direct the activities that most significantly impact the Partnership's economic performance.
Incorporated in Delaware in 2010 and headquartered in Lisle, Illinois, we became a publicly-traded company in 2011 and our stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “SXC.”
Basis of Presentation
The accompanying unaudited consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim reporting. Certain information and disclosures normally included in financial statements have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. The results of operations for the periods ended March 31, 2018 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, 2017.

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Recently Adopted Accounting Pronouncements

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605),” and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this standard on January 1, 2018, using the modified retrospective method with no material impact on our revenue recognition model on an annual basis. See Note 14.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted cash.” The Company retrospectively adopted this ASU in the first quarter 2018 and modified the Company's cash flow presentation to include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The restricted cash balance was zero at both March 31, 2018 and December 31, 2017, and was $0.4 million and $0.5 million at March 31, 2017 and December 31, 2016, respectively. Historical restricted cash balances related to cash withheld in the 2015 acquisition of CMT to fund the completion of certain expansion capital improvements.

In March 2017, the FASB issued ASU 2017-07, “Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The Company adopted this ASU in the first quarter 2018 and retrospectively presented net periodic postretirement benefit cost in the income statement separately from the service cost component and outside a subtotal of income from operations. In conjunction with the adoption of this standard, expense of $0.3 million was reclassified from operating income and was recorded in interest expense, net on the Consolidated Statements of Income during the three months ended March 31, 2017. See Note 7.

In February 2018, the FASB issued ASU 2018-02, “Income Statement-Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The Company adopted this ASU in the first quarter 2018 and reclassified $1.1 million of deferred tax adjustments to accumulated other comprehensive income from retained earnings on the December 31, 2017 balance sheet for the stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires leases to be recognized as assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. It is effective for annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. A multi-disciplined implementation team has gained an understanding of the accounting and disclosure provisions of the standard and is in the process of analyzing the impacts to our business, including the development of new accounting processes to account for our leases and support the required disclosures. We have selected a technology tool to assist with the accounting and reporting requirements of this standard. While we are still evaluating the impact of adopting this standard, we expect that upon adoption the right-of-use assets and lease liabilities, such as various plant equipment rentals and the lease of our corporate office space, will increase the reported assets and liabilities on our Consolidated Balance Sheets. The Company expects to adopt this standard on January 1, 2019.

2. Inventories

The components of inventories were as follows:

	March 31, 2018	December 31, 2017
	(Dollars in millions)	
Coal	$63.2	$ 61.4
Coke	8.9	12.3

Materials, supplies and other	38.0	37.3
Total inventories	$110.1	$ 111.0

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3. Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is tested for impairment as of October 1 of each year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit to below its carrying value. Goodwill allocated to our Domestic Coke and Logistics segments was $3.4 million and $73.5 million at both March 31, 2018 and December 31, 2017, respectively.

The components of other intangible assets, net were as follows:

		March 31, 2018			December 31, 2017		
	Weighted - Average Remaining Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
		(Dollars in millions)					
Customer contracts	5	$31.7	$ 14.7	$17.0	$31.7	$ 13.8	$17.9
Customer relationships	14	28.7	6.2	22.5	28.7	5.7	23.0
Permits	25	139.0	13.5	125.5	139.0	12.2	126.8
Trade name	1	1.2	1.1	0.1	1.2	1.0	0.2
Total		$200.6	$ 35.5	$165.1	$200.6	$ 32.7	$167.9

The permits above represent the environmental and operational permits required to operate a coal export terminal in accordance with the United States Environmental Protection Agency and other regulatory bodies. Intangible assets are amortized over their useful lives in a manner that reflects the pattern in which the economic benefit of the asset is consumed. The permits' useful lives were estimated to be 27 years at acquisition based on the expected useful life of the significant operating equipment at the facility. We have historical experience of renewing and extending similar arrangements at our other facilities and intend to continue to renew our permits as they come up for renewal for the foreseeable future. The permits were renewed regularly prior to our acquisition of CMT. These permits have an average remaining renewal term of approximately 3.2 years.

Total amortization expense for intangible assets subject to amortization was $2.8 million for both the three months ended March 31, 2018 and 2017.

4. 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 recorded income tax expense of $2.0 million for the three months ended March 31, 2018, resulting in effective tax rate of 13.3 percent, as compared to the 21.0 percent federal statutory rate, primarily due to the impact of earnings attributable to noncontrolling ownership interests in partnerships.

The Company recorded income tax expense of $66.2 million during the three months ended March 31, 2017, which included the impacts of the Internal Revenue Service ("IRS") announcement of its final regulations on qualifying income in January 2017 discussed below. This incremental tax impact is solely attributable to Partnership's public unitholders. As such, an equal reduction to noncontrolling interest was recorded. As a result, there was no impact to net income attributable to the Company.

In January 2017, the IRS announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. However, the Final Regulations include a transition period for activities that were reasonably interpreted to be qualifying income and carried on by publicly traded partnerships prior to the Final Regulations. The Partnership previously received a will-level opinion from its counsel, Vinson & Elkins LLP, that the Partnership's cokemaking operations generated qualifying income prior to the Final Regulations. Therefore, the Partnership believes it had a reasonable basis to conclude its cokemaking operations were considered qualifying income before the issuance of the new regulations and as such expects to maintain its treatment as a partnership through the transition period. Cokemaking entities in the Partnership will become taxable as corporations on January 1, 2028, after the transition period ends.

On December 22, 2017, the Tax Cuts and Jobs Act (“Tax Legislation”) was enacted. The Tax Legislation significantly revises the U.S. corporate income tax structure, including lowering corporate income tax rates. In addition, the SEC staff released Staff Accounting Bulletin 118 on December 23, 2017, which provides for companies to record a provisional impact of the Tax Legislation during a measurement period, not to exceed one year, in situations where companies do not have the

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necessary information available, prepared, or analyzed in reasonable detail to complete the accounting under ASC 740 for certain income tax effects of the Tax Legislation for the reporting period which includes enactment. There were no significant changes during the quarter to previous estimates and amounts recorded in 2017 relating to this Tax Legislation.

5. Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2018	December 31, 2017
	(Dollars in millions)	
Accrued benefits	$13.4	$ 21.3
Current portion of postretirement benefit obligation	3.1	3.1
Other taxes payable	11.8	10.5
Current portion of black lung liability	5.4	5.4
Accrued legal	5.7	5.6
Other	4.9	7.3
Total accrued liabilities	$44.3	$ 53.2

6. Debt and Financing Obligation

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

	March 31, 2018	December 31, 2017
	(Dollars in millions)	
7.500 percent senior notes, due 2025 ("2025 Partnership Notes")	$700.0	$ 700.0
7.625 percent senior notes, due 2019 ("2019 Notes")	—	44.6
Term loan, due 2022 ("Term Loan")	44.7	—
SunCoke's revolving credit facility, due 2022 ("Revolving Facility")	—	—
Partnership's revolving credit facility, due 2022 and 2019, respectively ("Partnership Revolver")	130.0	130.0
5.82 percent financing obligation, due 2021 ("Partnership Financing Obligation")	12.1	12.7
Total borrowings	886.8	887.3
Original issue discount	(5.7)	(5.9)
Debt issuance costs	(17.1)	(17.7)
Total debt and financing obligation	864.0	863.7
Less: current portion of long-term debt and financing obligation	3.8	2.6
Total long-term debt and financing obligation	$860.2	$ 861.1

Redemption of 2019 Notes

On January 11, 2018, the Company redeemed all of its outstanding 2019 Notes for $46.1 million, which included accrued and unpaid interest of $1.5 million. As a result of the debt extinguishment, the Company recorded a loss on extinguishment of debt on the Consolidated Statement of Income of $0.3 million, representing a write-off of unamortized debt issuance costs. The Company funded the redemption with a Term Loan in aggregate principal amount of $45.0 million, resulting in additional debt issuance costs of $0.3 million. The Term Loan will mature on May 24, 2022. Borrowings under the Term Loan will bear interest, at the Company’s option, at either (i) a base rate plus an applicable margin or (ii) LIBOR plus an applicable margin. The applicable margin is based on the Company's consolidated leverage ratio, as defined in the credit agreement.

Revolving Facility

The Revolving Facility has capacity of $100.0 million. As of March 31, 2018, the Revolving Facility had letters of credit outstanding of $26.2 million and no outstanding balance, leaving $73.8 million available.

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Partnership Revolver

The Partnership Revolver has capacity of $285.0 million. As of March 31, 2018, the Partnership had $1.9 million of letters of credit outstanding and an outstanding balance of $130.0 million, leaving $153.1 million available.

Covenants

Under the terms of the Revolving Facility, the Company is subject to a maximum consolidated leverage ratio of 3.25:1.00 and a minimum consolidated interest coverage ratio of 2.75:1.00. Under the terms of the Partnership's credit agreement, the Partnership is subject to a maximum consolidated leverage ratio of 4.50:1.00 prior to June 30, 2020 and 4.00:1.00 after June 30, 2020 and a minimum consolidated interest coverage ratio of 2.50:1.00. The Company's and Partnership's credit agreements contain other covenants and events of default that are customary for similar agreements and may limit our ability to take various actions including our ability to pay a dividend or repurchase our stock.

If we fail to perform our obligations under these and other covenants, the lenders' credit commitment could be terminated and any outstanding borrowings, together with accrued interest, under the Revolving Facility and Partnership Revolver could be declared immediately due and payable. The Company and the Partnership have a cross default provision that applies to our indebtedness having a principal amount in excess of $35 million.

As of March 31, 2018, the Company and the Partnership were in compliance with all applicable debt covenants. 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.

Maturities

As of March 31, 2018, the combined aggregate amount of maturities for long-term borrowings for each of the next five years is as follows:

	(Dollars in Millions)[1]
2018	$ 2.8
2019	3.9
2020	10.7
2021	3.4
2022	166.0
2023-Thereafter	700.0
Total	$ 886.8

(1) Assumes the Partnership Financing Obligation early buyout option is exercised in 2020.

7. Retirement Benefits Plans

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Interest cost on benefit obligations	$0.3	$0.3
Amortization of:		
Actuarial losses	0.2	0.2
Prior service benefit	(0.2)	(0.2)
Total expense[1]	$0.3	$0.3

(1)

In conjunction with the adoption of ASU 2017-07, the non-service type expense associate with these plans was excluded from operating income and recorded in interest expense, net on the Consolidated Statements of Income during the periods presented. Prior year periods have been reclassified to also reflect this presentation.

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Defined Contribution Plans

The Company has defined contribution plans which provide retirement benefits for certain of its employees. The Company’s contributions, which are principally based on the Company’s pretax income and the aggregate compensation levels of participating employees are charged against income as incurred. These contributions amounted to $1.6 million and for both the three months ended March 31, 2018 and 2017.

8. Commitments and Contingent Liabilities

Legal Matters

SunCoke Energy is party to an omnibus agreement, pursuant to which we have agreed to indemnify the Partnership for costs and expenses related to remediation of certain identified environmental matters in existence prior to the Partnership's initial public offering on January 24, 2013 ("IPO") at the Partnership’s Haverhill and Middletown facilities and certain identified environmental matters in existence prior to the Granite City Dropdown at the Partnership's Granite City facility. However, under the terms of the omnibus agreement, SunCoke Energy is not obligated to indemnify the Partnership for any new environmental matters coming into existence after the IPO at the Partnership’s Haverhill and Middletown facilities, or any new environmental matters coming into existence after the Granite City Dropdown at the Partnership's Granite City facility.

The U.S. Environmental Protection Agency ("EPA") issued Notices of Violations (“NOVs”) for our Haverhill and Granite City cokemaking facilities which stemmed 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 underway to improve the reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City facilities. An amendment was lodged in federal court in February 2018 and is undergoing review. The amendment provides the Haverhill and Granite City facilities with additional time to perform necessary maintenance on the flue gas desulfurization systems without exceeding consent decree limits. The emissions associated with this maintenance will be mitigated in accordance with the amendment, and there are no civil penalty payments.

We anticipate spending approximately $145 million related to these projects, of which we have spent approximately $118 million to date, including $7 million spent by the Company prior to the formation of the Partnership. The remaining capital is expected to be spent through the first quarter of 2019. A portion of the proceeds from the Partnership's initial public offering and subsequent dropdowns are expected to be used to fund $119 million of these environmental remediation projects. Pursuant to the omnibus agreement, the Company made a capital contribution to the Partnership of $10 million during the first quarter 2018 for these known environmental remediation projects. The Company expects to make an additional capital contribution to the Partnership of approximately $10 million for the estimated future spending related to these environmental remediation projects.

SunCoke Energy has also received NOVs, Findings of Violations ("FOVs"), and information requests from the EPA related to our Indiana Harbor cokemaking facility, which allege violations of certain air operating permit conditions for this facility. The Clean Air Act (the "CAA") provides the EPA with the authority to issue, among other actions, an order to enforce a State Implementation Plan ("SIP") 30 days after an NOV. The CAA also authorizes EPA enforcement of other non-SIP requirements immediately after an FOV. Generally, an NOV applies to SIPs and requires the EPA to wait 30 days, while an FOV applies to all other provisions (such as federal regulations) of the CAA, and has no waiting period. The NOVs and/or FOVs were received in 2010, 2012, 2013, 2015 and 2016. After discussions with the EPA and the Indiana Department of Environmental Management (“IDEM”) in 2010, resolution of the NOVs/FOVs was postponed by mutual agreement because of ongoing discussions regarding the NOVs at Haverhill and Granite City. In January 2012, the Company began working in a cooperative manner to address the allegations with the EPA, the IDEM and Cokenergy, LLC., an independent power producer that owns and operates an energy facility, including heat recovery equipment and a flue gas desulfurization system, that processes hot flue gas from our Indiana Harbor facility to produce steam and electricity and to reduce the sulfur and particulate content of such flue gas.

The EPA, IDEM, SunCoke Energy and Cokenergy, LLC. have met regularly since those discussions commenced, and continued to meet regularly in 2017 to reach a settlement of the NOVs and FOVs. Capital projects were underway during this time to address items that would be included in conjunction with a settlement of the NOVs/FOVs. A Consent Decree among the parties was lodged in federal court in January 2018 and is undergoing review. The settlement includes a $2.5 million civil penalty payment, which is included in accrued liabilities on the Consolidated Balance Sheets at both March 31, 2018 and December 31, 2017. Further, the settlement consists of capital projects already underway to improve reliability and environmental performance of the coke ovens at the facility.

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The Company is a party to certain other pending and threatened claims, including matters related to commercial and tax disputes, product liability, employment claims, personal injury claims, premises-liability claims, allegations of exposures to toxic substances and environmental claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of these claims could be resolved unfavorably to the Company. Management of the Company believes that any liability which may arise from claims would not have a material adverse impact on our consolidated financial statements.

Black Lung Benefit Liabilities

The Company has obligations related to coal workers' pneumoconiosis, or black lung, benefits to certain of our former coal (miners and their dependents). Such benefits are provided for under Title IV of the Federal Coal Mine and Safety Act of 1969 and subsequent amendments, as well as for black lung benefits provided in the states of Virginia, Kentucky and West Virginia pursuant to workers' compensation legislation. The Patient Protection and Affordable Care Act ("PPACA"), which was implemented in 2010, amended previous legislation related to coal workers' black lung obligations. PPACA provides for the automatic extension of awarded lifetime benefits to surviving spouses and changes the legal criteria used to assess and award claims. We act as a self-insurer for both state and federal black lung benefits and adjust our liability each year based upon actuarial calculations of our expected future payments for these benefits.

Our independent actuarial consultants calculate the present value of the estimated black lung liability annually based on actuarial models utilizing our population of former coal miners, historical payout patterns of both the Company and the industry, actuarial mortality rates, disability incidence, medical costs, death benefits, dependents, discount rates and the current federally mandated payout rates. The estimated liability may be impacted by future changes in the statutory mechanisms, modifications by court decisions and changes in filing patterns driven by perceptions of success by claimants and their advisors, the impact of which cannot be estimated. The estimated liability was $50.8 million and $50.3 million at March 31, 2018 and December 31, 2017, respectively, of which the current portion of $5.4 million was included in accrued liabilities on the Consolidated Balance Sheets in both periods.

9. Share-Based Compensation

Equity Classified Awards

During the three months ended March 31, 2018, the Company granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Performance Enhancement Plan ("SunCoke LTPEP"). All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

Stock Options

The Company granted the following stock options during the three months ended March 31, 2018 with an exercise price equal to the closing price of our common stock on the date of grant.

	No. of Shares	Weighted Average Per Share Exercise Price	Weighted Average Per Share Grant Date Fair Value
Traditional stock options	78,447	$10.49	$5.38

The stock options vest in three equal annual installments beginning one year from the date of grant. The stock options expire ten years from the date of grant.

The Company calculates the value of each employee stock option, estimated on the date of grant, using the Black-Scholes option pricing model. The weighted-average fair value of employee stock options granted during the three months ended March 31, 2018 was based on using the following weighted-average assumptions:

Three Months Ended

	March 31, 2018	
Risk-free interest rate	3	%
Expected term	6 years	
Volatility	52	%
Dividend yield	—	%

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

Restricted Stock Units Settled in Shares

The Company issued 32,128 stock-settled restricted stock units ("RSUs") to certain employees for shares of the Company's common stock during the three months ended March 31, 2018. The weighted average grant date fair value was $10.49 per share. The RSUs vest in three annual installments beginning one year from the date of grant.

Performance Share Units

The Company granted the following performance share units ("PSUs") for shares of the Company's common stock during the three months ended March 31, 2018 that vest on December 31, 2020:

	Shares	Fair Value per Share
PSUs[(1)(2)]	96,389	$11.36

(1) The PSU awards are split 50/50 between the Company's three year cumulative Adjusted EBITDA performance measure and the Company's three-year average pre-tax return on capital performance measure for its coke and logistics businesses and unallocated corporate expenses.

(2) The number of PSU's ultimately awarded will be determined by the above performance versus targets and the Company's three-year total shareholder return ("TSR") as compared to the TSR of the companies making up the Nasdaq Iron & Steel Index ("TSR Modifier"). The TSR Modifier can impact the payout between 75 percent and 125 percent of the Company's final performance measure results.

The award may vest between zero and 250 percent of the original units granted. In the event the TSR performance is negative, the overall payout of the award shall be capped at 100 percent. The fair value of the PSUs granted during the three months ended March 31, 2018 is based on the closing price of our common stock on the date of grant as well as a Monte Carlo simulation for the valuation of the TSR Modifier.

Liability Classified Awards

Restricted Stock Units Settled in Cash

During the three months ended March 31, 2018, the Company issued 84,759 restricted stock units to be settled in cash ("Cash RSUs"), which vest in three annual installments beginning one year from the grant date. The weighted average grant date fair value of the Cash RSUs granted during the three months ended March 31, 2018 was $10.49 and was based on the closing price of our common stock on the day of grant.

The Cash RSU liability is adjusted based on the closing price of our common stock at the end of each period and was immaterial at both March 31, 2018 and December 31, 2017.

Cash Incentive Award

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

The Company issued a grant date fair value award of $1.0 million during the three months ended March 31, 2018 that vest on December 31, 2020. The awards are split 50/50 between the Company's three cumulative Adjusted EBITDA performance and the Company's three-year average per-tax return on capital for its coke and logistics businesses and unallocated corporate expense. The ultimate award value will be determined by the performance versus targets and the Company's three year TSR Modifier performance, but will be capped at 250 percent of the target award.

The cash incentive award liability at March 31, 2018 was adjusted based on the Company's three year cumulative Adjusted EBITDA performance and adjusted average pre-tax return on capital for the Company's coke and logistics businesses and unallocated corporate expenses. The cash incentive award liability at both March 31, 2018 and

December 31, 2017 was not material.

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Summary of Share-Based Compensation Expense

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

	Three Months Ended March 31,		March 31, 2018	
	2018	2017		
	Compensation Expense(1)		Unrecognized Compensation Cost	Recognition Period
	(Dollars in millions)			(Years)
Equity Awards:				
Stock Options	$0.2	$0.6	$1.0	2.0
RSUs	0.1	0.4	$0.5	1.9
PSUs	0.4	0.4	$3.4	2.6
Total equity awards	$0.7	$1.4		
Liability Awards:				
Cash RSUs	$0.1	$—	$1.7	1.9
Cash incentive award	0.2	0.1	$1.2	2.4
Total liability awards	$0.3	$0.1		

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

The Company and the Partnership issued $0.1 million and $0.2 million of shared-based compensation to the Company's and the Partnership's Board of Directors during the three months ended March 31, 2018 and 2017, respectively.

10. Acquisition of Noncontrolling Interest

On April 17, 2017, the Company's Board of Directors authorized a program for the Company to purchase outstanding Partnership common units at any time and from time to time in the open market, through privately negotiated transactions, block transactions, or otherwise for a total aggregate cost to the Company not to exceed $50.0 million. In July 2017, the Company's Board of Directors authorized the Company to purchase an incremental $50.0 million of Partnership common units in the open market.

During three months ended March 31, 2018 the Company purchased 188,465 of outstanding Partnership common units in the open market for total cash payments of $3.4 million. This resulted in a decrease in noncontrolling interest of $2.2 million during the three months ended March 31, 2018, on the Consolidated Balance Sheet related to the Partnership's net book value acquired by the Company. During the three months ended March 31, 2018, the Company decreased its additional paid-in capital balance by $0.9 million on the Consolidated Balance Sheets for the consideration paid in excess of the net book value of the noncontrolling interest acquired, net of a deferred tax adjustment of $0.3 million. At March 31, 2018 there was $47.9 million available under the authorized program.

The following table summarizes the effects of the changes in the Company's ownership interest in the Partnership on SunCoke's equity:

	Three Months Ended March 31, 2018

	(Dollars in millions)
Net income attributable to SunCoke Energy, Inc.	$ 8.7
Decrease in SunCoke Energy, Inc. equity for the purchase of additional interest in the Partnership	(0.9)
Change from net income attributable to SunCoke Energy, Inc. and transfers to noncontrolling interest	$ 7.8

Subsequent to March 31, 2018, the Company purchased an additional 42,706 of outstanding Partnership common units in the open market for total cash payments of $0.8 million, leaving a remaining common unit purchase program balance of $47.1 million as of April 26, 2018.

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11. Earnings per Share

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

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

	Three Months Ended March 31,	
	2018	2017
	(Shares in millions)	
Weighted-average number of common shares outstanding-basic	64.6	64.3
Add: Effect of dilutive share-based compensation awards	0.8	0.8
Weighted-average number of shares-diluted	65.4	65.1

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

	Three Months Ended March 31,	
	2018	2017
	(Shares in millions)	
Stock options	2.8	2.8
Performance stock units	0.2	—
Total	3.0	2.8

12. Supplemental Accumulated Other Comprehensive Loss Information

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

	Benefit Plans	Currency Translation Adjustments	Total
	(Dollars in millions)		
At December 31, 2017	$(6.5)	$ (14.7)	$(21.2)
Other comprehensive income	—	(0.1)	(0.1)
At March 31, 2018	$(6.5)	$ (14.8)	$(21.3)

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Amortization of postretirement benefit plan items to net income:		
Actuarial loss(2)	$0.2	$0.2

Prior service benefit[2]	(0.2)	(0.2)
Total expense before taxes	—	—
Less income tax benefit	—	—
Total expense, net of tax	$—	$—

(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). See Note 7.

13. 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 $6.2 million and $5.5 million at March 31, 2018 and December 31, 2017, respectively, were measured at fair value based on quoted prices in active markets for identical assets. These inputs are classified as Level 1 within the valuation hierarchy.

CMT Contingent Consideration

In connection with the CMT acquisition, the Partnership entered into a contingent consideration arrangement that requires the Partnership to make future payments to The Cline Group based on future volume over a specified threshold, price and contract renewals. The fair value of the contingent consideration was estimated based on a probability-weighted analysis using significant inputs that are not observable in the market, or Level 3 inputs. Key assumptions included probability adjusted levels of 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. The fair value of the contingent consideration was $2.5 million at both March 31, 2018 and December 31, 2017, and was included in other deferred credits and liabilities on the Consolidated Balance Sheets.

Certain Financial Assets and Liabilities not Measured at Fair Value

At March 31, 2018 and December 31, 2017, the fair value of the Company’s total debt was estimated to be $907.8 million and $919.7 million, respectively, compared to a carrying amount of $886.8 million and $887.3 million, respectively. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions, which are considered Level 2 inputs.

14. Revenue from Contracts with Customers

Cokemaking

Substantially all our coke sales are made pursuant to long-term, take-or-pay agreements with ArcelorMittal USA LLC and/or its affiliates (“AM USA”), AK Steel Holding Corporation ("AK Steel") and United States Steel Corporation ("U.S. Steel"), who are three of the largest blast furnace steelmakers in North America. The take-or-pay provisions of our agreements require us to deliver minimum annual tonnage, which varies by contract, but covers at least 90 percent of each facility's annual capacity. The take-or-pay provisions also require our customers to purchase such volumes of coke or pay the contract price for any tonnage they elect not to take. These coke sales agreements have an average remaining term of approximately six years, and to date, our coke customers have satisfied their obligations under these agreements.

Our coke sales prices include an operating cost component, a coal cost component and a return of capital component. Operating costs under two of our coke sales agreements are contractual, subject to an annual adjustment based on an inflation index. Under our other four coke sales agreements operating costs are passed through to the respective customers subject to an annually negotiated budget, in some cases subject to a cap annually adjusted for inflation, and generally we share any difference in costs from the budgeted amounts with our customers. Our coke sales agreements contain pass-through provisions for coal and coal procurement costs, subject to meeting contractual coal-to-coke yields. To the extent that the actual coal-to-coke yields are less than the contractual standard, we are responsible for the cost of the excess coal used in the cokemaking process. Conversely, to the extent our actual coal-to-coke yields are higher than the contractual standard, we realize gains. The

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reimbursement of pass-through operating and coal costs from these coke sales agreements are considered to be variable consideration components included in the cokemaking sales price. The return of capital component for each ton of coke sold to the customer is determined at the time the coke sales agreement is signed and is effective for the term of each sales agreement. This component of our coke sales prices is intended to provide an adequate return on invested capital and may differ based on investment levels and other considerations. The actual return on invested capital at any facility is also impacted by favorable or unfavorable performance on pass-through cost items. Revenues are recognized when performance obligations to our customers are satisfied in an amount that reflects the consideration that we expect to receive in exchange for the coke.

Logistics

In our logistics business, handling and/or mixing services are provided to steel, coke (including some of our domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. Materials are transported in numerous ways, including rail, truck, barge or ship. We do not take possession of materials handled, but rather act as intermediaries between our customers and end users, deriving our revenues from services provided on a per ton basis. The handling and mixing services consist primarily of two performance obligations, unloading and loading of materials. Our logistics business has long-term, take-or-pay agreements requiring us to handle over 13 million tons annually. The take-or-pay provisions in these agreements require our customers to purchase such handling services or pay the contract price for services they elect not to take. Estimated take-or-pay revenue of approximately $350 million from all of our long-term logistics contracts is expected to be recognized over the next six years for unsatisfied or partially unsatisfied performance obligations as of March 31, 2018. To date, our customers have satisfied their obligations under these agreements. Included with these long-term, take-or-pay arrangements are our contracts with Murray American Coal, Inc. ("Murray") and Foresight Energy LLC ("Foresight"), which cover 10 million tons of CMT's annual transloading capacity of 15 million tons. Revenues are recognized when the customer receives the benefits of the services provided, in an amount that reflects the consideration that we will receive in exchange for those services. Billings to CMT customers for take-or-pay volume shortfalls based on pro-rata volume commitments under take-or-pay contracts that are in excess of billings earned for services provided are recorded as contract liabilities and characterized as deferred revenue on the Consolidated Balance Sheets. Deferred revenue will be recognized at the earlier of i) when the performance obligation is satisfied; ii) when the performance obligation has expired, based on the terms of the contract; or iii) as a result of a remote likelihood that the customer would exercise its right to the performance obligation. The following table provides changes in the Company's deferred revenue:

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Opening balance	$1.7	$2.5
Reclassification of the beginning contract liabilities to revenue, as a result of performance obligation satisfied	(0.6)	(0.5)
Billings in excess of services performed, not recognized as revenue	2.5	3.6
Ending balance	$3.6	$5.6

Energy

Our energy sales are made pursuant to either steam or energy supply and purchase agreements or is sold into the regional power market. Our cokemaking ovens utilize efficient, modern heat recovery technology designed to combust the coal’s volatile components liberated during the cokemaking process and use the resulting heat to create steam or electricity for sale. The energy provided under these arrangements result in transfer of control over time. Revenues are recognized over time as energy is delivered to our customers, in an amount based on the terms of each arrangement.

Operating and Licensing Fees

Operating and licensing fees are made pursuant to long-term contracts with ArcelorMittal Brazil, where we operate a Brazilian cokemaking facility. The licensing fees are based upon the level of production required by our customer as well as a fixed annual fee. Operating fees include the full pass-through of the operating costs of the Brazilian facility as well as a per ton fee based on the level of production required by our customer. Revenues are recognized over time as our customers receive and consume the benefits in an amount that corresponds directly with the value provided to the customer to date.

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Disaggregated sales and other operating revenue

The following table provides disaggregated sales and other operating revenue by product or service:

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Sales and other operating revenue:		
Cokemaking	$302.5	$262.6
Energy	13.6	13.7
Logistics	22.1	19.6
Operating and licensing fees	10.1	10.8
Other	2.2	3.0
Sales and other operating revenue	$350.5	$309.7

The following table provides disaggregated sales and other operating revenue by customer:

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Sales and other operating revenue:		
AM USA	$164.1	$145.1
AM Brazil	10.1	10.8
AK Steel	92.9	83.5
U.S. Steel	51.7	47.7
Foresight and Murray	14.1	11.6
Other	17.6	11.0
Sales and other operating revenue	$350.5	$309.7

Shipping and Handling Costs

Shipping and handling costs are included in cost of products sold and operating expenses on the Consolidated Statements of Income and are generally passed through to our customers. The Company has elected to account for shipping and handling activities as a promise to fulfill the transfer of coke.

15. Business Segment Information

The Company reports its business through three segments: Domestic Coke, Brazil Coke and Logistics. 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.

The Brazil Coke segment includes the licensing and operating fees payable to us under long-term contracts with ArcelorMittal Brazil, under which we operate a cokemaking facility located in Vitória, Brazil through at least 2023.

Logistics operations are comprised of CMT, located in Louisiana, KRT, located in West Virginia, SunCoke Lake Terminal, located in Indiana, and DRT, located in Virginia adjacent to our Jewell cokemaking facility. Handling and mixing results are presented in the Logistics segment.

Corporate expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other. Corporate and Other also includes activity from our legacy coal mining business, which was historically presented as a separate reportable segment. Prior year periods have been recasted to

reflect current presentation.
Segment assets, net of tax are those assets 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 and liquidity reported to the chief operating decision maker for purposes of allocating resources to the segments and assessing their performance:

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Sales and other operating revenue:		
Domestic Coke	$318.1	$278.7
Brazil Coke	10.1	10.8
Logistics	22.3	20.2
Logistics intersegment sales	5.4	5.1
Elimination of intersegment sales	(5.4)	(5.1)
Total sales and other operating revenues	$350.5	$309.7
Adjusted EBITDA:		
Domestic Coke	$54.3	$49.7
Brazil Coke	4.7	4.4
Logistics	13.6	13.1
Corporate and Other[1]	(8.6)	(11.6)
Total Adjusted EBITDA	$64.0	$55.6
Depreciation and amortization expense:		
Domestic Coke	$25.3	$26.6
Brazil Coke	0.2	0.2
Logistics	7.0	6.1
Corporate and Other	0.4	0.4
Total depreciation and amortization expense	$32.9	$33.3
Capital expenditures:		
Domestic Coke	$15.1	$12.0
Logistics	0.3	0.6
Corporate and Other	—	0.1
Total capital expenditures	$15.4	$12.7

(1) Corporate and Other includes the activity from our legacy coal mining business, which incurred Adjusted EBITDA losses of $2.3 million and $3.5 million during the three months ended March 31, 2018 and 2017, respectively.

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

	March 31, 2018	December 31, 2017
	(Dollars in millions)	
Segment assets		
Domestic Coke	$1,466.6	$1,439.7
Brazil Coke	13.1	10.9
Logistics	492.2	491.9
Corporate and Other	102.7	112.8

Segment assets, excluding tax assets	2,074.6	2,055.3
Tax assets	5.4	4.8
Total assets	$2,080.0	$2,060.1

The Company evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for any impairments, loss (gain) on extinguishment of debt and/or changes to our contingent consideration liability related to our acquisition of CMT. 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.

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Management believes Adjusted EBITDA is an important measure of the operating performance and liquidity of the Company's net assets and its ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance and liquidity. EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, and they should not be considered a substitute for net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP. Set forth below is additional discussion of the limitations of Adjusted EBITDA as an analytical tool.

Limitations. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure. Adjusted EBITDA also has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Some of these limitations include that Adjusted EBITDA:

- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect items such as depreciation and amortization;
- does not reflect changes in, or cash requirement for, working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest on or principal payments of our debt;
- does not reflect certain other non-cash income and expenses;
- excludes income taxes that may represent a reduction in available cash; and
- includes net income attributable to noncontrolling interests.

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in millions)	
Net cash provided by operating activities	$57.3	$29.5
Subtract:		
Depreciation and amortization expense	32.9	33.3
Deferred income tax expense	0.2	65.8
Loss on extinguishment of debt	0.3	0.1
Changes in working capital and other	10.9	(12.0)
Net income (loss)	$13.0	$(57.7)
Add:		
Depreciation and amortization expense	$32.9	$33.3
Interest expense, net[1]	15.8	13.7
Loss on extinguishment of debt	0.3	0.1
Income tax expense	2.0	66.2
Adjusted EBITDA	$64.0	$55.6
Subtract: Adjusted EBITDA attributable to noncontrolling interest[2]	19.0	21.6
Adjusted EBITDA attributable to SunCoke Energy, Inc.	$45.0	$34.0

(1) In conjunction with the adoption of ASU 2017-07, the non-service type expense associate with the postretirement benefit plans was excluded from operating income and recorded in interest expense, net on the Consolidated Statements of Income during the periods presented. Amounts in prior periods were immaterial and therefore were not reclassified in the reconciliation of Adjusted EBITDA to net income and net cash provided by operating activities.

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

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16. Supplemental Condensed Consolidating Financial Information

Certain 100 percent owned subsidiaries of the Company serve as guarantors of the obligations under the Credit Agreement (“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, 2017, less than 25 percent of net assets were restricted. Additionally, certain coal mining entities are designated as unrestricted subsidiaries. As such, all the subsidiaries described above are presented as "Non-Guarantor Subsidiaries." There have been no changes to the "Guarantor Subsidiaries" and "Non-Guarantor Subsidiaries" during 2018.

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 Income
Three Months Ended March 31, 2018
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$ 51.0	$ 300.7	$ (1.2)	$350.5
Equity in earnings of subsidiaries	10.9	8.7	—	(19.6)	—
Total revenues, net of equity earnings of subsidiaries	10.9	59.7	300.7	(20.8)	350.5
Costs and operating expenses					
Cost of products sold and operating expense	—	39.1	232.7	(1.2)	270.6
Selling, general and administrative expense	1.4	3.4	11.1	—	15.9
Depreciation and amortization expense	—	2.0	30.9	—	32.9
Total costs and operating expenses	1.4	44.5	274.7	(1.2)	319.4
Operating income	9.5	15.2	26.0	(19.6)	31.1
Interest (income) expense, net - affiliate	—	(2.0)	2.0	—	—
Interest expense (income), net	0.7	(0.2)	15.3	—	15.8
Total interest expense (income), net	0.7	(2.2)	17.3	—	15.8
Loss on extinguishment of debt	0.3	—	—	—	0.3
Income before income tax benefit	8.5	17.4	8.7	(19.6)	15.0
Income tax (benefit) expense	(0.2)	3.1	(0.9)	—	2.0
Net income	8.7	14.3	9.6	(19.6)	13.0
Less: Net income attributable to noncontrolling interests	—	—	4.3	—	4.3
Net income attributable to SunCoke Energy, Inc.	$8.7	$ 14.3	$ 5.3	$ (19.6)	$8.7
Comprehensive income	$8.6	$ 26.7	$ 9.5	$ (31.9)	$12.9
Less: Comprehensive income attributable to noncontrolling interests	—	—	4.3	—	4.3
Comprehensive income attributable to SunCoke Energy, Inc.	$8.6	$ 26.7	$ 5.2	$ (31.9)	$8.6

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Income
Three Months Ended March 31, 2017
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$ 50.9	$ 259.9	$ (1.1)	$309.7
Equity in earnings (loss) of subsidiaries	4.3	(82.5)	—	78.2	—
Total revenues, net of equity in earnings (loss) of subsidiaries	4.3	(31.6)	259.9	77.1	309.7
Costs and operating expenses					
Cost of products sold and operating expenses	—	36.7	198.6	(1.1)	234.2
Selling, general and administrative expenses	2.1	5.1	12.4	—	19.6
Depreciation and amortization expense	—	2.0	31.3	—	33.3
Total costs and operating expenses	2.1	43.8	242.3	(1.1)	287.1
Operating income (loss)	2.2	(75.4)	17.6	78.2	22.6
Interest (income) expense, net - affiliate	—	(1.8)	1.8	—	—
Interest expense, net	1.3	—	12.7	—	14.0
Total interest expense (income), net	1.3	(1.8)	14.5	—	14.0
Loss on extinguishment of debt	0.1	—	—	—	0.1
Income (loss) before income tax expense	0.8	(73.6)	3.1	78.2	8.5
Income tax (benefit) expense	(0.2)	(81.2)	147.6	—	66.2
Net income (loss)	1.0	7.6	(144.5)	78.2	(57.7)
Less: Net loss attributable to noncontrolling interests	—	—	(58.7)	—	(58.7)
Net income (loss) attributable to SunCoke Energy, Inc.	$1.0	$ 7.6	$ (85.8)	$ 78.2	$1.0
Comprehensive income (loss)	$1.1	$ 7.6	$ (144.4)	$ 78.1	$(57.6)
Less: Comprehensive loss attributable to noncontrolling interests	—	—	(58.7)	—	(58.7)
Comprehensive income (loss) attributable to SunCoke Energy, Inc.	$1.1	$ 7.6	$ (85.7)	$ 78.1	$1.1

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SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
March 31, 2018
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$ 93.2	$ 53.8	$ —	$ 147.0
Receivables	—	16.1	59.2	—	75.3
Inventories	—	12.8	97.3	—	110.1
Income tax receivable	—	—	90.7	(85.3)	5.4
Other current assets	—	6.0	3.0	—	9.0
Advances to affiliate	—	263.9	—	(263.9)	—
Total current assets	—	392.0	304.0	(349.2)	346.8
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Properties, plants and equipment, net	—	58.4	1,429.8	—	1,488.2
Goodwill	—	3.4	73.5	—	76.9
Other intangible assets, net	—	1.5	163.6	—	165.1
Deferred income taxes	7.1	—	—	(7.1)	—
Deferred charges and other assets	—	2.5	0.5	—	3.0
Total assets	$7.1	$ 546.8	$ 2,271.4	$ (745.3)	$ 2,080.0
Liabilities and Equity					
Advances from affiliate	$ 165.7	$ —	$ 98.2	$ (263.9)	$—
Accounts payable	—	20.9	110.2	—	131.1
Accrued liabilities	0.9	13.8	29.6	—	44.3
Deferred revenue	—	—	3.6	—	3.6
Current portion of long-term debt and financing obligation	1.2	—	2.6	—	3.8
Interest payable	0.3	—	16.8	—	17.1
Income taxes payable	1.6	83.7	—	(85.3)	—
Total current liabilities	169.7	118.4	261.0	(349.2)	199.9
Long-term debt and financing obligation	41.8	—	818.4	—	860.2
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	12.0	33.4	—	45.4
Retirement benefit liabilities	—	13.5	14.2	—	27.7
Deferred income taxes	—	193.8	71.0	(7.1)	257.7
Asset retirement obligations	—	—	14.1	—	14.1
Other deferred credits and liabilities	3.0	6.3	6.2	—	15.5
Total liabilities	214.5	644.0	1,307.3	(745.3)	1,420.5
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at March 31, 2018	—	—	—	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 72,076,092 shares at March 31, 2018	0.7	—	—	—	0.7
Treasury stock, 7,477,657 shares at March 31, 2018	(140.7)	—	—	—	(140.7)
Additional paid-in capital	486.0	77.5	637.7	(715.2)	486.0
Accumulated other comprehensive loss	(21.3)	(2.2)	(19.1)	21.3	(21.3)
Retained earnings	110.0	489.8	120.6	(610.5)	109.9

Equity investment eliminations	(642.1)	(662.3)	—	1,304.4	—
Total SunCoke Energy, Inc. stockholders' equity	(207.4)	(97.2)	739.2	—	434.6
Noncontrolling interests	—	—	224.9	—	224.9
Total equity	(207.4)	(97.2)	964.1	—	659.5
Total liabilities and equity	$ 7.1	$ 546.8	$ 2,271.4	$ (745.3)	$ 2,080.0

SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
December 31, 2017
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$ 103.6	$ 16.6	$ —	$ 120.2
Receivables	—	17.1	51.4	—	68.5
Inventories	—	9.1	101.9	—	111.0
Income tax receivable	—	—	88.1	(83.3)	4.8
Other current assets	—	4.6	2.1	—	6.7
Advances to affiliate	—	245.8	—	(245.8)	—
Total current assets	—	380.2	260.1	(329.1)	311.2
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Properties, plants and equipment, net	—	59.8	1,441.5	—	1,501.3
Goodwill	—	3.4	73.5	—	76.9
Other intangible assets, net	—	1.7	166.2	—	167.9
Deferred income taxes	7.1	—	—	(7.1)	—
Deferred charges and other assets	—	2.3	0.5	—	2.8
Total assets	$7.1	$ 536.4	$ 2,241.8	$ (725.2)	$ 2,060.1
Liabilities and Equity					
Advances from affiliate	$ 162.2	$ —	$ 83.6	$ (245.8)	$—
Accounts payable	—	16.4	99.1	—	115.5
Accrued liabilities	1.5	19.7	32.0	—	53.2
Deferred revenue	—	—	1.7	—	1.7
Current portion of long-term debt and financing obligation	—	—	2.6	—	2.6
Interest payable	1.4	—	4.0	—	5.4
Income taxes payable	1.9	81.4	—	(83.3)	—
Total current liabilities	167.0	117.5	223.0	(329.1)	178.4
Long-term debt and financing obligation	42.7	—	818.4	—	861.1
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	11.8	33.1	—	44.9
Retirement benefit liabilities	—	13.7	14.5	—	28.2
Deferred income taxes	—	193.8	71.1	(7.1)	257.8
Asset retirement obligations	—	—	14.0	—	14.0
Other deferred credits and liabilities	3.7	6.4	6.0	—	16.1
Total liabilities	213.4	643.2	1,269.1	(725.2)	1,400.5
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued shares at December 31, 2017	—	—	—	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued 72,006,905 shares at December 31, 2017	0.7	—	—	—	0.7
Treasury Stock, 7,477,657 shares at December 31, 2017	(140.7)	—	—	—	(140.7)
Additional paid-in capital	486.2	141.0	641.9	(782.9)	486.2
Accumulated other comprehensive loss	(21.2)	(2.2)	(19.0)	21.2	(21.2)
Retained earnings	101.2	475.6	116.4	(592.0)	101.2

Equity investment eliminations	(632.5)	(721.2)	—	1,353.7	—
Total SunCoke Energy, Inc. stockholders' equity	(206.3)	(106.8)	739.3	—	426.2
Noncontrolling interests	—	—	233.4	—	233.4
Total equity	(206.3)	(106.8)	972.7	—	659.6
Total liabilities and equity	$7.1	$ 536.4	$ 2,241.8	$ (725.2)	$2,060.1

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2018
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net income	$8.7	$ 14.3	$ 9.6	$ (19.6)	$13.0
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization expense	—	2.0	30.9	—	32.9
Deferred income tax expense (benefit)	—	0.3	(0.1)	—	0.2
Payments in excess of expense for postretirement plan benefits	—	(0.2)	(0.4)	—	(0.6)
Share-based compensation expense	0.8	—	—	—	0.8
Equity in earnings of subsidiaries	(10.9)	(8.7)	—	19.6	—
Loss on extinguishment of debt	0.3	—	—	—	0.3
Changes in working capital pertaining to operating activities:					
Receivables	—	1.0	(7.8)	—	(6.8)
Inventories	—	(3.7)	4.6	—	0.9
Accounts payable	—	4.7	9.3	—	14.0
Accrued liabilities	(0.4)	(5.9)	(2.4)	—	(8.7)
Deferred revenue	—	—	1.9	—	1.9
Interest payable	(1.1)	—	12.8	—	11.7
Income taxes	(0.3)	2.3	(2.6)	—	(0.6)
Other	(0.5)	(1.5)	0.3		(1.7)
Net cash (used in) provided by operating activities	(3.4)	4.6	56.1	—	57.3
Cash Flows from Investing Activities:					
Capital expenditures	—	(0.6)	(14.8)	—	(15.4)
Net cash used in investing activities	—	(0.6)	(14.8)	—	(15.4)
Cash Flows from Financing Activities:					
Proceeds from issuance of long-term debt	45.0	—	—	—	45.0
Repayment of long-term debt	(44.9)	—	—	—	(44.9)
Debt issuance costs	(0.5)	—	—	—	(0.5)
Proceeds from revolving facility	—	—	53.5	—	53.5
Repayment of revolving facility	—	—	(53.5)	—	(53.5)
Repayment of financing obligation	—	—	(0.6)	—	(0.6)
Acquisition of additional interest in the Partnership	—	(3.4)	—	—	(3.4)
Cash distribution to noncontrolling interests	—	—	(10.6)	—	(10.6)
Other financing activities	(0.1)	—	—	—	(0.1)
Net increase (decrease) in advances from affiliate	3.9	(11.0)	7.1	—	—
Net cash provided by (used in) financing activities	3.4	(14.4)	(4.1)	—	(15.1)
Net (decrease) increase in cash and cash equivalents	—	(10.4)	37.2	—	26.8
Cash and cash equivalents at beginning of period	—	103.6	16.6	—	120.2
Cash and cash equivalents at end of period	$—	$ 93.2	$ 53.8	$ —	$147.0

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2017
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 1.0	$ 7.6	$ (144.5)	$ 78.2	$ (57.7)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	—	2.0	31.3	—	33.3
Deferred income tax (benefit) expense	—	(84.4)	150.2	—	65.8
Payments in excess of expense for postretirement plan benefits	—	(0.2)	(0.5)	—	(0.7)
Share-based compensation expense	1.5	—	0.1	—	1.6
Equity in (loss) earnings of subsidiaries	(4.3)	82.5	—	(78.2)	—
Loss on extinguishment of debt	0.1	—	—	—	0.1
Changes in working capital pertaining to operating activities:					
Receivables	—	(2.3)	0.8	—	(1.5)
Inventories	—	(1.8)	(16.8)	—	(18.6)
Accounts payable	—	3.7	22.7	—	26.4
Accrued liabilities	(1.0)	(7.5)	(0.4)	—	(8.9)
Deferred revenue	—	—	3.1	—	3.1
Interest payable	(1.0)	—	(8.5)	—	(9.5)
Income taxes	22.2	(21.3)	(2.0)	—	(1.1)
Other	0.2	(1.4)	(1.6)	—	(2.8)
Net cash provided by (used in) operating activities	18.7	(23.1)	33.9	—	29.5
Cash Flows from Investing Activities:					
Capital expenditures	—	(0.8)	(11.9)	—	(12.7)
Return of Brazilian investment	—	—	20.5	—	20.5
Net cash used in investing activities	—	(0.8)	8.6	—	7.8
Cash Flows from Financing Activities:					
Repayment of long-term debt	—	—	(0.3)	—	(0.3)
Debt issuance cost	(0.6)	—	—	—	(0.6)
Proceeds from revolving facility	—	—	10.0	—	10.0
Repayments of revolving facility	—	—	(10.0)	—	(10.0)
Repayment of financing obligation	—	—	(0.6)	—	(0.6)
Cash distribution to noncontrolling interests		—	(12.4)	—	(12.4)
Other financing activities	(0.3)	—	—	—	(0.3)
Net (decrease) increase in advances from affiliates	(17.8)	51.3	(33.5)	—	—
Net cash (used in) provided by financing activities	(18.7)	51.3	(46.8)	—	(14.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	27.4	(4.3)	—	23.1
Cash, cash equivalents and restricted cash at beginning of period	—	59.7	74.8	—	134.5
Cash, cash equivalents and restricted cash at end of period	$ —	$ 87.1	$ 70.5	$ —	$ 157.6

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain forward-looking statements of expected future developments, as defined in the Private Securities Litigation Reform Act of 1995. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under "Cautionary Statement Concerning Forward-Looking Statements."

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is based on financial data derived from the financial statements prepared in accordance with the United States ("U.S.") generally accepted accounting principles ("GAAP") and certain other financial data that is prepared using non-GAAP measures. For a reconciliation of these non-GAAP measures to the most comparable GAAP components, see "Non-GAAP Financial Measures" at the end of this Item, and Note 15 to our consolidated financial statements.

Our MD&A is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flow.

Overview

SunCoke Energy, Inc. ("SunCoke Energy," "Company," "we," "our" and "us") is the largest independent producer of high-quality coke in the Americas, as measured by tons of coke produced each year, and has approximately 55 years of coke production experience. Coke is a principal raw material in the blast furnace steelmaking process. Coke is generally produced by heating metallurgical coal in a refractory oven, which releases certain volatile components from the coal, thus transforming the coal into coke. We have designed, developed, built, own and operate five cokemaking facilities in the United States ("U.S."), which consist of our Haverhill Coke Company LLC ("Haverhill"), Middletown Coke Company, LLC ("Middletown"), Gateway Energy and Coke Company, LLC ("Granite City"), Jewell Coke Company, L.P. ("Jewell") and Indiana Harbor Coke Company ("Indiana Harbor") cokemaking facilities. These five cokemaking facilities have collective nameplate capacity to produce approximately 4.2 million tons of coke per year. Additionally, we have designed and operate one cokemaking facility in Brazil under licensing and operating agreements on behalf of our customers.

Our U.S. coke sales are made pursuant to long-term, take-or-pay agreements. These coke sales agreements have an average remaining term of approximately six years and contain pass-through provisions for costs we incur in the cokemaking process, including coal costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expenses, costs related to the transportation of coke to our customers, taxes (other than income taxes) and costs associated with changes in regulation. To date, our coke customers have satisfied their obligations under these agreements. The coke sales agreement and energy sales agreement with AK Steel Holding Corporation ("AK Steel") at our Haverhill facility are subject to early termination by AK Steel only if AK Steel meets both of the following two criteria: (1) AK Steel permanently shuts down operation of the iron producing portion of its Ashland Plant and (2) AK Steel has not acquired or begun construction of a new blast furnace in the U.S. to replace, in whole or in part, the Ashland Plant iron production capacity. AK Steel must give at least two years prior notice of its intention to terminate the agreement. The Company finds that neither of the criteria have been met. No other coke sales contract has an early termination clause.

Our core business model is predicated on providing steelmakers an alternative to investing capital in their own captive coke production facilities. We direct our marketing efforts principally towards steelmaking customers that require coke for use in their blast furnaces. While our steelmaking customers continue to operate in an environment that is challenged by global overcapacity, they have recently benefited from improved steel pricing, favorable trade policies, including new U.S. steel tariffs signed into order during the first quarter of 2018, and solid end market demand. In response to the improving macro environment, United States Steel Corporation ("U.S. Steel") recently announced that it intends to restart one of the blast furnaces at its Granite City Works facility in the second half of 2018. Despite the improving market trends, AK Steel has kept portions of its Ashland Kentucky Works facility idled as it awaits further signs of market stability.

Our Granite City facility and the first phase of our Haverhill facility, or Haverhill I, have steam generation facilities, which use hot flue gas from the cokemaking process to produce steam for sale to customers, pursuant to steam supply and purchase agreements. Granite City sells steam to U.S. Steel and Haverhill I provides steam, at minimal cost, to Altivia Petrochemicals, LLC. Our Middletown facility and the second phase of our Haverhill facility, or Haverhill II, have cogeneration plants that use the hot flue gas created by the cokemaking process to generate electricity, which either is sold into the regional power market or to AK Steel pursuant to energy sales agreements.

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The following table sets forth information about our cokemaking facilities and our coke and energy sales agreements as of March 31, 2018:

Facility	Location	Customer	Year of Start Up	Contract Expiration	Number of Coke Ovens	Annual Cokemaking Nameplate Capacity (thousands of tons)	Use of Waste Heat
Owned and Operated:							
Jewell	Vansant, Virginia	AM USA	1962	December 2020	142	720	Partially used for thermal coal drying
Indiana Harbor	East Chicago, Indiana	AM USA	1998	October 2023	268	1,220	Heat for power generation
Haverhill Phase I	Franklin Furnace, Ohio	AM USA	2005	December 2020	100	550	Process steam
Haverhill Phase II	Franklin Furnace, Ohio	AK Steel	2008	December 2021	100	550	Power generation
Granite City	Granite City, Illinois	U.S. Steel	2009	December 2025	120	650	Steam for power generation
Middletown(1)	Middletown, Ohio	AK Steel	2011	December 2032	100	550	Power generation
					830	4,240	
Operated:							
Vitória	Vitória, Brazil	ArcelorMittal Brazil	2007	January 2023	320	1,700	Steam for power generation
					1,150	5,940	
Joint Venture:							
VISA SunCoke(2)	Odisha, India	Various	2007	NA	88	440	Steam for power generation
Total					1,238	6,380	

(1) Cokemaking nameplate capacity represents stated capacity for production of blast furnace coke. The Middletown coke sales agreement provides for coke sales on a “run of oven” basis, which includes both blast furnace coke and small coke. Middletown nameplate capacity on a “run of oven” basis is 578 thousand tons per year.

(2) We hold a 49 percent investment in a cokemaking joint venture with VISA Steel Limited in India ("VISA SunCoke"), which was fully impaired in 2015, and consequently, beginning in the fourth quarter of 2015, we no longer included our share of VISA SunCoke in our financial results. Cokemaking capacity represents 100 percent of VISA SunCoke.

We own and operates a logistics business, which provides handling and/or mixing services of coal and other aggregates to third-party customers as well as to our own cokemaking facilities. Our logistics business consists of Convent Marine Terminal ("CMT"), Kanawha River Terminals, LLC ("KRT") and SunCoke Lake Terminal, LLC ("Lake Terminal") and Dismal River Terminal LLC ("DRT"). CMT is one of the largest export terminals on the U.S. Gulf Coast. CMT 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 current capability to transload 15 million tons annually. The facility is supported by long-term contracts with volume commitments covering 10 million tons of its current capacity as well as 350 thousand liquid tons. In 2017, we secured barge unloading capabilities to efficiently unload coal, petroleum coke and other materials from barges at CMT’s dock. The addition of barge unloading capabilities complements CMT's existing rail and truck offerings and provides the terminal with the ability to transload and mix a significantly broader variety of materials. KRT is a leading metallurgical and thermal coal mixing and handling terminal service provider with collective capacity to mix and transload 25 million tons annually through its two operations in West Virginia. Lake Terminal is located in East Chicago, Indiana and provides coal handling and mixing services to SunCoke's Indiana Harbor cokemaking operations. DRT accommodates our Jewell cokemaking facility in its direct procurement of third-party coal.

Our logistics business has the collective capacity to mix and/or transload more than 40 million tons of coal and other aggregates annually and has storage capacity of approximately 3 million tons. Our services are provided to steel, coke (including some of our domestic cokemaking facilities), electric utility, coal producing and other manufacturing based customers. Services provided to our domestic cokemaking facilities are provided under contracts with terms equivalent to those of an arm's-length transactions. Materials are transported in numerous ways, including rail, truck, barge or ship. We do not take possession of materials handled, but rather act as intermediaries between our customers and end users, deriving our revenues from services provided on a per ton basis. Billings to CMT customers for take-or-pay volume shortfalls based on pro-rata volume commitments under take-or-pay contracts that are in excess of billings earned for services provided are recorded as contract liabilities and characterized as deferred revenue on the Consolidated Balance Sheets. Deferred revenue will be recognized at the earlier of i) when the performance obligation is satisfied; ii) when the performance obligation has expired, based on the terms of the contract; or iii) as a result of a remote likelihood that the customer would exercise its right to the performance obligation.

The financial performance of our logistics business is substantially dependent upon a limited number of customers. Our CMT customers are impacted by seaborne export market dynamics. Fluctuations in the benchmark price for coal delivery into northwest Europe, as referenced in the Argus/McCloskey's Coal Price Index report ("API2 index price"), as well as Newcastle index coal prices, as referenced in the Argus/McCloskey's Coal Price Index report ("API5 index price"), which reflect high-ash coal prices shipped from Australia, contribute to our customers' decisions to place tons into the export market and thus impact transloading volumes through CMT. Our KRT terminals serve two primary domestic markets, metallurgical coal trade and thermal coal trade. Metallurgical markets are primarily impacted by steel prices and blast furnace operating levels whereas thermal markets are impacted by natural gas prices and electricity demand.

API2 and API5 index prices remain attractive for Illinois Basin producers, which should support continued strong volumes at CMT even though prices have retraced somewhat from recent highs. Late in the first quarter of 2018, near historic water levels on the Mississippi River adversely impacted our barge unloading activities and temporarily limited larger vessel loading activity at CMT. River conditions are now slowly returning to normal. At KRT, first quarter 2018 metallurgical market conditions and volumes were generally favorable, however thermal market volumes remained low due to low natural gas prices and flooding on the Ohio and Kanawha rivers that disrupted barge related activity. We expect thermal market demand to slowly improve as a result of depleted inventory levels during recent winter period.

Our consolidated financial statements include the Partnership, a publicly-traded master limited partnership. As of March 31, 2018, we owned the general partner of the Partnership, which consists of a 2.0 percent ownership interest and incentive distribution rights ("IDR"), and owned a 60.3 percent limited partner interest in the Partnership. The remaining 37.7 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.”

First Quarter Key Financial Results

Our consolidated results of operations were as follows:

	Three Months Ended March 31,		
	2018	2017	Increase
	(Dollars in millions)		
Net income (loss)	$13.0	$(57.7)	$ 70.7
Net cash provided by operating activities	$57.3	$29.5	$ 27.8
Adjusted EBITDA	$64.0	$55.6	$ 8.4

First quarter 2018 results reflect both improved operating performance at our Indiana Harbor facility from previously rebuilt ovens and record sales volumes at CMT. See detailed analysis of the quarter's results throughout the MD&A.

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Items Impacting Comparability

- Tax Rulings.

Tax Legislation. On December 22, 2017, the Tax Cuts and Jobs Act (“Tax Legislation”) was enacted. The Tax Legislation significantly revises the U.S. corporate income tax structure, including lowering corporate income tax rates. For the three months ended March 31, 2018, the Company's effective tax rate was 13.3 percent, approximately 10 percent lower than it would have been had the new Tax Legislation not been enacted.

IRS Final Regulations on Qualifying Income. In January 2017, the Internal Revenue Service ("IRS") announced its decision to exclude cokemaking as a qualifying income generating activity in its final regulations (the "Final Regulations") issued under section 7704(d)(1)(E) of the Internal Revenue Code relating to the qualifying income exception for publicly traded partnerships. Subsequent to the 10-year transition period, certain cokemaking entities in the Partnership will become taxable as corporations. As a result, the Partnership recorded deferred income tax expense of $148.6 million to set up its initial deferred income tax liability during the three months ended March 31, 2017, primarily related to differences in the book and tax basis of fixed assets, which are expected to exist at the end of the 10-year transition period when the cokemaking operations become taxable. However, the Company had previously recorded $84.4 million of the deferred income tax liability in its financial statements related to the Company's share of the deferred tax liability for the book and tax differences in its investment in the Partnership. As such, the Company's first quarter 2017 financial statements reflect the $64.2 million incremental impact from the Final Regulations solely attributable to the Partnership’s public unitholders, which was also recorded as an equal reduction to noncontrolling interest. As a result, the Final Regulations have no impact to net income attributable to the Company.

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Results of Operations

The following table sets forth amounts from the Consolidated Statements of Income for the three months ended March 31, 2018 and 2017, respectively:

	Three Months Ended March 31,		
	2018	2017	Increase (Decrease)
	(Dollars in millions)		
Revenues			
Sales and other operating revenue	$350.5	$309.7	$ 40.8
Costs and operating expenses			
Cost of products sold and operating expenses	270.6	234.2	36.4
Selling, general and administrative expenses	15.9	19.6	(3.7)
Depreciation and amortization expense	32.9	33.3	(0.4)
Total costs and operating expenses	319.4	287.1	32.3
Operating income	31.1	22.6	8.5
Interest expense, net	15.8	14.0	1.8
Loss on extinguishment of debt	0.3	0.1	0.2
Income before income tax expense	15.0	8.5	6.5
Income tax expense	2.0	66.2	(64.2)
Net income (loss)	13.0	(57.7)	70.7
Less: Net income (loss) attributable to noncontrolling interests	4.3	(58.7)	63.0
Net income attributable to SunCoke Energy, Inc.	$8.7	$1.0	$ 7.7

Sales and Other Operating Revenue and Costs of Products Sold and Operating Expenses. Sales and other operating revenue and costs of products sold and operating expenses increased for the three months ended March 31, 2018 compared to the same prior year period, primarily due to the pass-through of higher coal prices and higher volumes in our Domestic Coke segment.

Selling, General and Administrative Expenses. Selling, general and administrative expense during the three months ended March 31, 2018 decreased compared to the same prior year period due to the absence of $1.5 million of transaction costs associated with the termination of the proposal to acquire all of the Partnership’s common units not already owned by the Company, incurred during the first quarter 2017. The remaining decrease was due to lower legal and employee-related costs.

Depreciation and Amortization Expense. Depreciation and amortization expense was relatively comparable during the three months ended March 31, 2018 and 2017.

Interest Expense, Net. The increase in interest expense, net during the three months ended March 31, 2018 compared to the same prior year period was driven by higher interest rates primarily in connection with our debt restructuring in May 2017.

Income Taxes. The Company's effective tax rate during the three months ended March 31, 2018 was 13.3 percent, as compared to the 21.0 percent federal statutory rate, primarily due to the impact of earnings attributable to noncontrolling interest in partnerships. The prior year income tax expense of $66.2 million reflected the impact of the IRS Final Regulations previously discussed in "Items Impacting Comparability."

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Noncontrolling Interest. Net income (loss) attributable to noncontrolling interest represents the common public unitholders’ interest in SunCoke Energy Partners, L.P. as well as a 14.8 percent third-party interest in our Indiana Harbor cokemaking facility. The following table provides details into net income (loss) attributable to noncontrolling interest.

	Three Months Ended March 31,		
	2018	2017	Increase (Decrease)
Net income (loss) attributable to the Partnership's common public unitholders'[1]	$4.6	$(57.6)	$ 62.2
Net (loss) income attributable to third-party interest in our Indiana Harbor cokemaking facility[2]	(0.3)	(1.1)	0.8
Net income (loss) attributable to noncontrolling interest	$4.3	$(58.7)	$ 63.0

(1) The increase during the three months ended March 31, 2018 as compared to the same prior year period was primarily due to the $64.2 million impact of the IRS Final Regulations, in the first quarter 2017, previously described in "Items Impacting Comparability."

(2) The increase during the three months ended March 31, 2018 as compared to the same prior year period was primarily driven by higher volumes and lower operating and maintenance spending since rebuilt ovens continue to perform as expected, resulting in improved operating performance in the first quarter of 2018.

Results of Reportable Business Segments

We report our business results through three segments:

- Domestic Coke consists of our Jewell, Indiana Harbor, Haverhill, Granite City and Middletown cokemaking and heat recovery operations located in Vansant, Virginia; East Chicago, Indiana; Franklin Furnace, Ohio; Granite City, Illinois; and Middletown, Ohio, respectively.
- Brazil Coke consists of our operations in Vitória, Brazil, where we operate a cokemaking facility, ArcelorMittal Brazil, for a Brazilian subsidiary of ArcelorMittal S.A.;
- Logistics consists of CMT, KRT, Lake Terminal, and DRT providing handling and/or mixing services in Convent, Louisiana; Ceredo and Belle, West Virginia; East Chicago, Indiana; and Vansant, Virginia, respectively. Lake Terminal and DRT are located adjacent to our Indiana Harbor and Jewell cokemaking facilities, respectively.

The operations of each of our segments are described at the beginning of the MD&A.

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 activity from our legacy coal mining business, which was disposed of in April 2016.

Management believes Adjusted EBITDA is an important measure of operating performance and liquidity, which is used as the primary basis for the chief operating decision maker to evaluate the performance of each of our reportable segments. Adjusted EBITDA should not be considered a substitute for the reported results prepared in accordance with GAAP. See Note 15 to our consolidated financial statements.

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Segment Financial and Operating Data

The following tables set forth financial and operating data for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		
	2018	2017	Increase (Decrease)
	(Dollars in millions)		
Sales and other operating revenues:			
Domestic Coke	$318.1	$278.7	$ 39.4
Brazil Coke	10.1	10.8	(0.7)
Logistics	22.3	20.2	2.1
Logistics intersegment sales	5.4	5.1	0.3
Elimination of intersegment sales	(5.4)	(5.1)	(0.3)
Total sales and other operating revenues	$350.5	$309.7	$ 40.8
Adjusted EBITDA[1]:			
Domestic Coke	$54.3	$49.7	$ 4.6
Brazil Coke	4.7	4.4	0.3
Logistics	13.6	13.1	0.5
Corporate and Other[2]	(8.6)	(11.6)	3.0
Total Adjusted EBITDA	$64.0	$55.6	$ 8.4
Coke Operating Data:			
Domestic Coke capacity utilization	92 %	91 %	1 %
Domestic Coke production volumes (thousands of tons)	962	948	14
Domestic Coke sales volumes (thousands of tons)	974	946	28
Domestic Coke Adjusted EBITDA per ton[3]	$55.75	$52.54	$ 3.21
Brazilian Coke production—operated facility (thousands of tons)	441	435	6
Logistics Operating Data:			
Tons handled (thousands of tons)[4]	5,821	5,719	102
CMT take-or-pay shortfall tons (thousands of tons)[5]	172	544	(372)

(1) See Note 15 in our consolidated financial statements for both the definition of Adjusted EBITDA and the reconciliations from GAAP to the non-GAAP measurement for the three and three months ended March 31, 2018 and 2017.

(2) Corporate and Other includes the activity from our legacy coal mining business, which incurred Adjusted EBITDA losses of $2.3 million and $3.5 million during the three months ended March 31, 2018 and 2017, respectively.

(3) Reflects Domestic Coke Adjusted EBITDA divided by Domestic Coke sales volumes.

(4) Reflects inbound tons handled during the period.

(5) Reflects tons billed under take-or-pay contracts where services have not yet been performed.

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Analysis of Segment Results

Domestic Coke

The following table explains year-over-year changes in the Domestic Coke segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended March 31, 2018 vs. 2017	
	Sales and other operating revenue	Adjusted EBITDA
	(Dollars in millions)	
Prior year period	$278.7	$ 49.7
Volumes[1]	10.9	2.2
Coal cost recovery and yields[2]	27.4	2.0
Operating and maintenance costs[3]	1.9	—
Energy and other	(0.8)	0.4
Current year period	$318.1	$ 54.3

(1) The increase in volumes was driven by improved performance from our rebuilt ovens at Indiana Harbor.

(2) The increase in revenues was driven by the pass-through of higher coal prices. The increase in Adjusted EBITDA was driven by favorable coal-to-coke yields as a result of improved operations at our Indiana Harbor facility, partially offset by $1.2 million of unfavorable coal cost recovery at our Jewell facility.

(3) In 2018, the operating cost component of our contract at Indiana Harbor reverted from fixed recovery per ton back to an annually negotiated budget, which drove favorable operating and maintenance cost recovery of $2.7 million compared to the prior period. This increase was offset by the timing of planned outage and maintenance costs at other plants.

Logistics

The following table explains year-over-year changes in the Logistics segment's sales and other operating revenues and Adjusted EBITDA results:

	Three months ended March 31, 2018 vs. 2017	
	Sales and other operating revenue, inclusive of intersegment sales	Adjusted EBITDA
	(Dollars in millions)	
Prior year period	$25.3	$ 13.1
Transloading volumes[1]	2.5	1.6
Price/margin impact of mix in transloading services	0.2	0.2
Operating and maintenance costs and other[2]		