SunCoke Energy, Inc.
Form 10-Q
May 01, 2014
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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, 2014

OR

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

For the transition period from to

Commission File Number 001-35243

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

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

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

As of April 25, 2014, there were 69,775,776 shares of the Registrant's $0.01 par value Common Stock outstanding.

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

	Three Months Ended March 31,	
	2014	2013
	(Dollars and shares in millions, except per share amounts)	
Revenues		
Sales and other operating revenue	$358.0	$451.5
Other income	1.6	2.4
Total revenues	359.6	453.9
Costs and operating expenses		
Cost of products sold and operating expenses	304.0	382.4
Selling, general and administrative expenses	21.9	20.6
Depreciation, depletion and amortization	29.0	23.9
Total costs and operating expenses	354.9	426.9
Operating income	4.7	27.0
Interest expense, net	12.1	15.8
(Loss) income before income tax (benefit) expense and loss from equity method investment	(7.4)	11.2
Income tax (benefit) expense	(4.2)	4.8
Loss from equity method investment	0.6	—
Net (loss) income	(3.8)	6.4
Less: Net income attributable to noncontrolling interests	4.0	4.3
Net (loss) income attributable to SunCoke Energy, Inc.	$(7.8)	$2.1
(Loss) earnings attributable to SunCoke Energy, Inc. per common share:		
Basic	$(0.11)	$0.03
Diluted	$(0.11)	$0.03
Weighted average number of common shares outstanding:		
Basic	69.7	70.0
Diluted	69.7	70.3

(See Accompanying Notes)

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

	Three Months Ended March 31,	
	2014	2013
	(Dollars in millions)	
Net (loss) income	$(3.8)	$6.4
Other comprehensive (loss) income:		
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax benefit of $0.4 million and $0.3 million for the three months ended March 31, 2014 and 2013, respectively)	(0.6)	(0.5)
Currency translation adjustment	0.8	0.1
Comprehensive (loss) income	(3.6)	6.0
Less: Comprehensive income attributable to noncontrolling interests	4.0	4.3
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(7.6)	$1.7

(See Accompanying Notes)

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SunCoke Energy, Inc.
Consolidated Balance Sheets

	March 31, 2014 (Unaudited)	December 31, 2013
	(Dollars in millions, except per share amounts)	
Assets		
Cash and cash equivalents	$178.2	$233.6
Receivables	81.5	91.5
Inventories	124.8	135.3
Income tax receivable	5.6	6.6
Deferred income taxes	12.6	12.6
Other current assets	7.5	2.3
Total current assets	410.2	481.9
Investment in Brazilian cokemaking operations	41.0	41.0
Equity method investment in VISA SunCoke Limited	56.8	56.8
Properties, plants and equipment, net	1,553.2	1,544.1
Lease and mineral rights, net	52.7	52.8
Goodwill and other intangible assets, net	25.1	25.4
Deferred charges and other assets	44.5	41.9
Total assets	$2,183.5	$2,243.9
Liabilities and Equity		
Accounts payable	$136.3	$154.3
Accrued liabilities	46.8	69.5
Short-term debt, including current portion of long-term debt	41.0	41.0
Interest payable	7.8	18.2
Total current liabilities	231.9	283.0
Long-term debt	647.9	648.1
Accrual for black lung benefits	32.4	32.4
Retirement benefit liabilities	35.0	34.8
Deferred income taxes	373.1	376.6
Asset retirement obligations	18.2	17.9
Other deferred credits and liabilities	20.0	18.8
Total liabilities	1,358.5	1,411.6
Equity		
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued and outstanding shares at March 31, 2014 and December 31, 2013	—	—
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,762,824 and 69,636,785 shares at March 31, 2014 and December 31, 2013, respectively	0.7	0.7
Treasury stock,1,255,355 shares at March 31, 2014 and at December 31, 2013	(19.9)	(19.9)
Additional paid-in capital	449.6	446.9
Accumulated other comprehensive loss	(13.9)	(14.1)
Retained earnings	136.0	143.8
Total SunCoke Energy, Inc. stockholders’ equity	552.5	557.4
Noncontrolling interests	272.5	274.9
Total equity	825.0	832.3
Total liabilities and equity	$2,183.5	$2,243.9

(See Accompanying Notes)

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
	(Dollars in millions)	
Cash Flows from Operating Activities:		
Net (loss) income	$(3.8)	$6.4
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation, depletion and amortization	29.0	23.9
Share-based compensation expense	2.3	1.4
Deferred income tax (benefit) expense	(3.1)	2.6
Payments less than (in excess of) expense for retirement plans	0.1	(0.4)
Excess tax benefit from share-based awards	(0.2)	—
Loss from equity method investment	0.6	—
Changes in working capital pertaining to operating activities:		
Receivables	10.0	(27.0)
Inventories	10.5	18.9
Accounts payable	(17.6)	19.0
Accrued liabilities	(22.5)	(21.4)
Interest payable	(10.4)	(7.7)
Income taxes receivable	1.2	1.3
Other	(7.4)	(4.2)
Net cash (used in) provided by operating activities	(11.3)	12.8
Cash Flows from Investing Activities:		
Capital expenditures	(38.1)	(30.5)
Equity method investment in VISA SunCoke Limited	—	(67.7)
Net cash used in investing activities	(38.1)	(98.2)
Cash Flows from Financing Activities:		
Proceeds from issuance of common units of SunCoke Energy Partners, L.P.	—	238.0
Proceeds from issuance of long-term debt	—	150.0
Repayment of long-term debt	—	(225.0)
Debt issuance costs	—	(6.0)
Proceeds from revolving facility	16.0	—
Repayment of revolving facility	(16.0)	—
Cash distribution to noncontrolling interests	(6.4)	(2.2)
Repurchase of common stock	—	(2.4)
Proceeds from exercise of stock options	0.2	0.9
Excess tax benefit from share-based awards	0.2	—
Net cash (used in) provided by financing activities	(6.0)	153.3
Net (decrease) increase in cash and cash equivalents	(55.4)	67.9
Cash and cash equivalents at beginning of period	233.6	239.2
Cash and cash equivalents at end of period	$178.2	$307.1

(See Accompanying Notes)

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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total SunCoke Energy, Inc. Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
	(Dollars in millions)									
At December 31, 2012	69,988,728	$0.7	603,528	$(9.4)	$436.9	$(7.9)	$118.8	$539.1	$35.8	$574.9
Net income	—	—	—	—	—	—	2.1	2.1	4.3	6.4
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax benefit of $0.3 million)	—	—	—	—	—	(0.5)	—	(0.5)	—	(0.5)
Currency translation adjustment	—	—	—	—	—	0.1	—	0.1	—	0.1
Net proceeds from issuance of SunCoke Energy Partners, L.P. units	—	—	—	—	—	—	—	—	232.0	232.0
Share-based compensation expense	—	—	—	—	1.4	—	—	1.4	—	1.4
Cash distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(2.2)	(2.2)
Share issuances, net of shares withheld for taxes	142,434	—	—	—	1.1	—	—	1.1	—	1.1
Shares repurchased	(147,984)	—	147,984	(2.4)	—	—	—	(2.4)	—	(2.4)
At March 31, 2013	69,983,178	$0.7	751,512	$(11.8)	$439.4	$(8.3)	$120.9	$540.9	$269.9	$810.8
At December 31, 2013	69,636,785	$0.7	1,255,355	$(19.9)	$446.9	$(14.1)	$143.8	$557.4	$274.9	$832.3
Net (loss) income	—	—	—	—	—	—	(7.8)	(7.8)	4.0	(3.8)
Reclassifications of prior service benefit and actuarial loss amortization to earnings (net of related tax benefit of $0.4 million)	—	—	—	—	—	(0.6)	—	(0.6)	—	(0.6)
Currency translation	—	—	—	—	—	0.8	—	0.8	—	0.8

adjustment										
Cash distribution to noncontrolling interests	—	—	—	—	—	—	—	—	(6.4)	(6.4)
Share-based compensation expense	—	—	—	—	2.3	—	—	2.3	—	2.3
Excess tax benefit from share-based awards	—	—	—	—	0.2	—	—	0.2	—	0.2
Share issuances, net of shares withheld for taxes	126,039	—	—	—	0.2	—	—	0.2	—	0.2
At March 31, 2014	69,762,824	$ 0.7	1,255,355	$ (19.9)	$ 449.6	$ (13.9)	$ 136.0	$ 552.5	$ 272.5	$ 825.0

(See Accompanying Notes)

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SunCoke Energy, Inc.
Notes to the Consolidated Financial Statements
1. General
Description of Business
SunCoke Energy, Inc. (“SunCoke Energy”, “Company”, "we", "our" and "us") is an independent owner and operator of five cokemaking facilities in the United States ("U.S.") and operator of a cokemaking facility in Brazil, in which we have a preferred stock investment. In March 2013, we formed a cokemaking joint venture in India called Visa SunCoke Limited (“Visa SunCoke”). In the second half of 2013, we acquired Lakeshore Coal Handling Corporation (“Lake Terminals”) and Kanawha River Terminals (“KRT”) and provide coal handling and blending services. Additionally, we own and operate coal mining operations in Virginia and West Virginia. We report our business through five segments: Domestic Coke, Brazil Coke, India Coke, Coal Logistics and Coal Mining.
Our consolidated financial statements include SunCoke Energy Partners, L.P. (the "Partnership"), a publicly-traded partnership. We completed the initial public offering of the Partnership on January 24, 2013. As of March 31, 2014, we own the general partner of the partnership, which consists of a 2 percent ownership interest and incentive distribution rights, and own a 55.9 percent limited partner interest in the Partnership.
We were formed as a wholly-owned subsidiary of Sunoco, Inc. (“Sunoco”) in 2010. On July 18, 2011 (the “Separation Date”), Sunoco contributed the subsidiaries, assets and liabilities that were primarily related to its cokemaking and coal mining operations to us in exchange for shares of our common stock. On January 17, 2012 (the “Distribution Date”), we became an independent, publicly-traded company following our separation (the "Distribution") from Sunoco.
Basis of Presentation
The accompanying unaudited consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim reporting. Certain information and disclosures normally included in financial statements have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In management’s opinion, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. The results of operations for the period ended March 31, 2014 are not necessarily indicative of the operating results expected for the entire year. These unaudited interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statement and notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.
Reclassifications
Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current year presentation.
2. Inventories
These components of inventories were as follows:

	March 31, 2014	December 31, 2013
	(Dollars in millions)	
Coal	$73.5	$84.0
Coke	8.9	11.8
Materials, supplies and other	42.4	39.5
Total inventories	$124.8	$135.3

3. Income Taxes
On the Separation Date, SunCoke Energy and Sunoco entered into a tax sharing agreement that governs the parties’ respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. In general, under the tax sharing agreement:

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- With respect to any periods ending at or prior to the Distribution, SunCoke Energy is responsible for any U.S. federal income taxes and any U.S. state or local income taxes reportable on a consolidated, combined or unitary return, in each case, as would be applicable to SunCoke Energy as if it filed tax returns on a stand-alone basis. With respect to any periods beginning after the Distribution, SunCoke Energy is responsible for any U.S. federal, state or local income taxes of it or any of its subsidiaries.
- Sunoco is responsible for any income taxes reportable on returns that include only Sunoco and its subsidiaries (excluding SunCoke Energy and its subsidiaries), and SunCoke Energy is responsible for any income taxes filed on returns that include only it and its subsidiaries.
- Sunoco is responsible for any non-income taxes reportable on returns that include only Sunoco and its subsidiaries (excluding SunCoke Energy and its subsidiaries), and SunCoke Energy is responsible for any non-income taxes filed on returns that include only it and its subsidiaries.

SunCoke Energy is generally not entitled to receive payment from Sunoco in respect of any of SunCoke Energy's tax attributes or tax benefits or any reduction of taxes of Sunoco. Moreover, Sunoco is generally entitled to refunds of income taxes with respect to periods ending at or prior to the Distribution. If SunCoke Energy realizes any refund, credit or other reduction in otherwise required tax payments in any period beginning after the Distribution Date as a result of an audit adjustment resulting in taxes for which Sunoco would otherwise be responsible, then, subject to certain exceptions, SunCoke Energy must pay Sunoco the amount of any such taxes for which Sunoco would otherwise be responsible. Further, if any taxes result to Sunoco as a result of a reduction in SunCoke Energy's tax attributes for a period ending at or prior to the Distribution Date pursuant to an audit adjustment (relative to the amount of such tax attribute reflected on Sunoco's tax return as originally filed), then, subject to certain exceptions, SunCoke Energy is generally responsible to pay Sunoco the amount of any such taxes.

As of December 31, 2013, SunCoke Energy estimated that all tax benefits were settled under the provisions of the tax sharing agreement. SunCoke Energy will continue to monitor the full utilization of all tax attributes when the respective tax returns are filed and will, consistent with the terms of the tax sharing agreement, record additional adjustments through earnings when necessary.

SunCoke Energy also agreed to certain restrictions intended to preserve the tax-free status of the contribution and the Distribution. These covenants included restrictions on SunCoke Energy's issuance or sale of stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements), and sales of assets outside the ordinary course of business and entering into any other corporate transaction which would cause SunCoke Energy to undergo a 50 percent or greater change in its stock ownership. These key restrictions expired on January 18, 2014.

SunCoke Energy has generally agreed to indemnify Sunoco and its affiliates against any and all tax-related liabilities incurred by them relating to the contribution or the Distribution to the extent caused by an acquisition of SunCoke Energy's stock or assets, or other of its actions. This indemnification applies even if Sunoco has permitted SunCoke Energy to take an action that would otherwise have been prohibited under the tax-related covenants as described above.

SunCoke Energy's tax provision was computed on a theoretical separate-return basis through the Distribution Date. To the extent any tax assets or liabilities computed on that basis differ from amounts actually payable or realizable under the provisions of the tax sharing agreement, adjustments to the tax assets and liabilities will be reflected as an income tax expense or benefit with a corresponding payable due to Sunoco, if necessary, when such amounts have been effectively settled under the terms of the tax sharing agreement. For the three months ended March 31, 2013, SunCoke recorded income tax expense of $1.7 million to settle potential obligations under the provisions of the tax sharing agreement. SunCoke Energy will continue to monitor the utilization of all tax attributes subject to the tax sharing agreement as applicable tax returns are filed or as tax examinations progress and will record additional adjustments when necessary, consistent with the terms of the tax sharing agreement.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjust the rate as necessary.

The Company's effective tax rate for the three months ended March 31, 2014 was 56.8 percent, which was higher than the U.S. federal statutory income tax rate of 35 percent, primarily due to income tax benefits of $2.0 million related to enacted reduction in Indiana statutory tax rate and $1.0 million related to tax credits and partially offset by the impact of earnings attributable to noncontrolling ownership interests in partnership. These benefits increased the effective rate in the three months ended March 31, 2014 due to the Company's net loss position.

The Company's effective tax rate for the three months ended March 31, 2013 was 42.9 percent, which was higher than the U.S. federal statutory income tax rate of 35 percent, primarily due to $0.6 million related to prior period adjustments associated with local income taxes due for the Company's Middletown operations, $1.4 million of additional valuation allowances associated with state and local taxes and $1.7 million to settle potential obligations under the provisions of our tax sharing agreement with Sunoco partially offset by the impact of earnings that are attributable to noncontrolling ownership interests in partnerships and nonconventional fuel tax credits.

The Company has not recorded income taxes on the undistributed earnings of our India joint venture because such earnings are intended to be reinvested indefinitely to finance foreign activities. These additional foreign earnings could be subject to additional tax if remitted, or deemed remitted, as a dividend. At March 31, 2014, our Visa SunCoke joint venture had a cumulative loss on unconsolidated earnings.

4. Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2014	December 31, 2013
	(Dollars in millions)	
Accrued sales discounts [(1)]	$—	$13.6
Accrued benefits	12.3	23.9
Other taxes payable	12.8	11.2
Other	21.7	20.8
Total accrued liabilities	$46.8	$69.5

(1) At December 31, 2013, we had $13.6 million accrued related to sales discounts payable to our customer at our Granite City facility. During the three months ended March 31, 2014, we settled this obligation for $13.1 million, which resulted in a gain of $0.5 million. This gain is recorded in sales and other operating revenue on our Consolidated Statement of Operations.

5. Debt

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

	March 31, 2014	December 31, 2013
	(Dollars in millions)	
Term loans, bearing interest at variable rates, due 2018, net of original issue discount of $1.0 million and $1.0 million at March 31, 2014 and December 31, 2013, respectively ("Term Loan") [(1)]	$98.9	$99.1
Revolving credit facility, due 2018 ("Partnership Revolver")	40.0	40.0
7.625% Notes, due 2019 (“Notes”)	400.0	400.0
7.375% senior notes, due 2020 (“Partnership Notes”)	150.0	150.0
Total debt	$688.9	$689.1
Less: short-term debt, including current portion of long-term debt	41.0	41.0
Total long-term debt	$647.9	$648.1

(1) Borrowed under the Company's credit agreement on July 26, 2011, as amended ("Credit Agreement").

Under the Credit Agreement, the Company has up to $75.0 million in uncommitted incremental facility term loans ("Incremental Facilities") as well as a $150.0 million revolving credit facility ("Revolving Facility"). As of March 31, 2014, there was $45.0 million of capacity under the Incremental Facilities, and the Revolving Facility had letters of credit outstanding of $2.1 million, leaving $147.9 million available.

The Partnership Revolver has total aggregate commitments from lenders of $150.0 million and also provides for up to $100.0 million uncommitted incremental revolving capacity, subject to the satisfaction of certain conditions. As of March 31, 2014, in addition to the $40.0 million borrowing, the Partnership Revolver had letters of credit outstanding of $0.7 million, leaving $109.3 million available.

In connection with the closing of the Partnership offering, the Partnership repaid $225.0 million of our Term Loan. In the first quarter of 2013 in conjunction with the repayment, we incurred a charge of approximately $2.9 million, which is included in interest expense, net on the Consolidated Statement of Operations, representing the write-off of unamortized debt issuance costs and original issue discount related to the portion of the term loan extinguished. Additionally, with the closing of the Partnership and the issuance of the Partnership Notes, the Partnership incurred debit issuance costs of $3.7 million, $0.8 million of which were expensed immediately and were included in interest expense, net during the first quarter of 2013.

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6. Retirement Benefits Plans

Defined Benefit Pension Plan and Postretirement Health Care and Life Insurance Plans

The Company has a noncontributory defined benefit pension plan ("defined benefit plan"), which provides retirement benefits for certain of its employees. The Company also 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.

Effective January 1, 2011, pension benefits under the Company's defined benefit plan were frozen for all participants in this plan. The Company also amended its postretirement benefit plans during the first quarter of 2010. Postretirement medical benefits for future retirees were phased out or eliminated, effective January 1, 2011, for non-mining employees with less than ten years of service and employer costs for all those still eligible for such benefits were capped.

Defined benefit plan expense consisted of the following components:

	Three Months Ended March 31,	
	2014	2013
	(Dollars in millions)	
Interest cost on benefit obligations	0.4	0.3
Expected return on plan assets	(0.4)	(0.6)
Amortization of actuarial losses	0.1	0.3
Total expense	$0.1	$—

Postretirement benefit plans benefit consisted of the following components:

	Three Months Ended March 31,	
	2014	2013
	(Dollars in millions)	
Service cost	$—	$0.1
Interest cost on benefit obligations	0.4	0.3
Amortization of:		
Actuarial losses	0.3	0.3
Prior service benefit	(1.4)	(1.4)
Total benefit	$(0.7)	$(0.7)

7. Commitments and Contingent Liabilities

The Company is subject to indemnity agreements with current and former third-party investors of Indiana Harbor and Jewell related to certain tax benefits that they earned as limited partners. Based on the applicable statute of limitations, as well as published filings of the limited partners, the Company believes that tax audits for years 2006 and 2007, relating to tax credits of approximately $51 million, may still be open for the limited partners and subject to examination. As of March 31, 2014, the Company has not been notified by the limited partners that any items subject to the indemnification are under examination and further believes that the potential for any claims under the indemnity agreements is remote.

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

The United States Environmental Protection Agency (the "EPA") has issued Notices of Violations ("NOVs") for our Haverhill and Granite City cokemaking facilities which stem from alleged violations of our air emission operating permits for these facilities. We are working in a cooperative manner with the EPA, the Ohio Environmental Protection Agency and the Illinois Environmental Protection Agency to address the allegations, and have lodged a Consent Decree in federal district court that is undergoing review. Settlement may require payment of a civil penalty for alleged past violations, and we estimate our reasonably probable loss to be approximately $2.2 million. Further, the settlement consists of capital projects to improve reliability of the energy recovery systems and enhance environmental performance at the Haverhill and Granite City facilities. We anticipate spending approximately $125 million related to these projects, and have spent approximately $11 million, $28

million and $5 million in 2014, 2013 and 2012, respectively, related to these projects. We also plan to spend approximately $32 million in the remainder of 2014 and approximately $49 million in the 2015 to 2016 time frame.
The Company has received NOVs from the EPA related to our Indiana Harbor cokemaking facility. The Company is working in a cooperative manner to address the allegations with the EPA, the Indiana Department of Environmental Management ("IDEM") and Cokenergy, Inc., an independent power producer that owns and operates an energy facility, including heat recovery equipment, a flue gas desulfurization system and a power generation plant that processes hot flue gas from our Indiana Harbor cokemaking facility to produce steam and electricity and to reduce the sulfur and particulate content of such flue gas. Settlement may require payment of a penalty for alleged past violations as well as undertaking capital projects to enhance environmental performance. In addition, we conducted an engineering study to identify major maintenance projects necessary to preserve the production capacity of the facility. In accordance with the findings of the study, we originally estimated that we would spend $50 million. As a result of higher than anticipated costs to refurbish ovens as well as the incremental cost of managing the refurbishment to minimize disruptions to ongoing operations, we now estimate we could spend as much as $104 million. We spent $66 million and $14 million related to this project in 2013 and 2012, respectively. In September 2013, we reached agreement with our customer for a ten year extension of our long-term contract. Key provisions of the extension agreement, which took effect October 1, 2013, are substantially similar to the existing agreement, including continuing the pass through of coal costs, reimbursement of operating and maintenance expenses subject to certain metrics and a pricing adjustment per ton of coke produced to recognize the new capital being deployed to refurbish and upgrade this facility. We expect to earn a reasonable return on our investment, along with DTE Energy Company, the third party investor owning a 15 percent interest in the partnership (the “Indiana Harbor Partnership”). In addition, we believe that the scope of the project will address items that may be required in connection with the settlement of the NOVs at our Indiana Harbor cokemaking facility. At this time, the Company cannot yet assess any future injunctive relief or potential monetary penalty and any potential future citations. The Company is unable to estimate a range of probable or reasonably possible loss.
The Company is in discussions with ArcelorMittal to resolve claims by ArcelorMittal that certain shipments of coke did not meet coke quality targets. In the fourth quarter of 2013, the Company recorded an estimated liability of $2.5 million for the possible reimbursement of certain freight and handling costs incurred by ArcelorMittal and for the Company’s potential legal fees and costs in connection with this matter.
In November 2013, in order to facilitate coal purchases at the Company's India joint venture, the Company executed an agreement guaranteeing a letter of trade credit for $8.3 million which expires in May 2014. Subsequent to the execution of the guarantee, VISA SunCoke obtained independent financing through a consortium of local banks which adequately address the joint venture’s working capital requirements. The probability of any losses to the Company is remote and the fair value of the guarantee is insignificant.
Other legal and administrative proceedings are pending or may be brought against the Company arising out of its current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, premises-liability claims, allegations of exposures of third parties to toxic substances and general environmental claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of these claims could be resolved unfavorably to the Company. Management of the Company believes that any liability which may arise from such matters would not be material in relation to the financial position, results of operations or cash flows of the Company at March 31, 2014.
8. Restructuring
In the first three months of 2014, we initiated a plan to reduce the workforce in our corporate office. The workforce reduction costs related to this plan were primarily part of an existing benefit arrangement; therefore, the full amount of expected severance benefits was accrued during the first quarter of 2014. We incurred total charges of $1.4 million in Corporate and Other related to this initiative and do not expect to incur any additional charges in the future. There were no payments made in the first quarter of 2014.
9. Share-Based Compensation
During the three months ended March 31, 2014, we granted share-based compensation to eligible participants under the SunCoke Energy, Inc. Long-Term Performance Enhancement Plan (“SunCoke LTPEP”).

Stock Options

We granted stock options to purchase 407,075 shares of common stock during the three months ended March 31, 2014 with an exercise price equal to the closing price of our common stock on the date of grant. The stock options become exercisable in three equal annual installments beginning one year from the date of grant. The stock options expire 10 years

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from the date of grant. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP.

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, 2014 was $7.86 using the following weighted-average assumptions:

	Three months ended March 31, 2014	
Risk free interest rate	1.57	%
Expected term	5 years	
Volatility	38	%
Dividend yield	—	%
Weighted-average exercise price	$22.30	

We based our expected volatility on our historical volatility over our entire available trading history. The risk-free interest rate assumption is based on the U.S. Treasury yield curve at the date of grant for periods which approximate the expected life of the option. The dividend yield assumption is based on the Company's future expectation of dividend payouts. The expected life of employee options represents the average contractual term adjusted by the average vesting period of each option tranche. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The Company recognized compensation expense of $1.3 million and $0.9 million for stock options during the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, there was $6.7 million of total unrecognized compensation cost related to nonvested stock options. This compensation cost is expected to be recognized over the next 2 years.

Restricted Stock Units

The Company issued 207,473 restricted stock units ("RSU") for shares of the Company's common stock during the three months ended March 31, 2014 that vest in three annual installments beginning one year from the grant date. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP. The weighted-average fair value of the RSUs granted during the three months ended March 31, 2014 of $22.30 was based on the closing price of our common stock on the date of grant. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The Company recognized compensation expense of $0.8 million and $0.3 million for RSUs during the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, there was $9.3 million of total unrecognized compensation cost related to nonvested RSUs. This compensation cost is expected to be recognized over the next 2.3 years.

Performance Share Units

The Company issued 84,734 performance share units ("PSU") for shares of the Company's common stock during the three months ended March 31, 2014 that vest on December 31, 2016. All awards vest immediately upon a change in control and a qualifying termination of employment as defined by the SunCoke LTPEP. The weighted average fair value of the PSUs granted during the three months ended March 31, 2014 is $26.09 and is based on the closing price of our common stock on the date of grant as well as a Monte Carlo simulation for the portion of the award subject to a market condition. The Company estimated a three percent forfeiture rate for these awards. This estimated forfeiture rate may be revised in subsequent periods if the actual forfeiture rate differs.

The number of PSUs ultimately awarded will be adjusted based upon the following metrics: (1) 50 percent of the award will be determined by the Company's three year total shareholder return ("TSR") as compared to the TSR of the companies making up the S&P 600; and (2) 50 percent of the award will be determined by the Company's three year average pre-tax return on capital for the Company's coke business. Each portion of the award may be adjusted between zero and 200 percent of the original units granted.

The Company recognized compensation expense of $0.2 million and $0.1 million for PSUs during the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, there was $3.2 million of total unrecognized compensation cost related to nonvested PSUs. This compensation cost is expected to be recognized over the next 2.4 years.

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10. Earnings per Share

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

The following table sets forth the reconciliation of the weighted-average number of common shares used to compute basic earnings per share (“EPS”) to those used to compute diluted EPS:

	Three Months Ended March 31,	
	2014	2013
	(Shares in millions)	
Weighted-average number of common shares outstanding-basic	69.7	70.0
Add: Effect of dilutive share-based compensation awards	—	0.3
Weighted-average number of shares-diluted	69.7	70.3

The potential dilutive effect of 2.7 million stock options, 0.5 million restricted stock units and 0.1 million performance share units were excluded from the computation of diluted weighted-average shares outstanding for the three months ended March 31, 2014, as the shares would have been anti-dilutive. The potential dilutive effect of 2.5 million stock options was excluded from the computation of diluted weighted-average shares outstanding for the three months ended March 31, 2013, as the shares would have been anti-dilutive.

11. Supplemental Accumulated Other Comprehensive Loss Information

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

	Defined Benefit Plans	Currency Translation Adjustments	Total
	(Dollars in millions)		
At December 31, 2013	$(2.8)	$(11.3)	$(14.1)
Other comprehensive income before reclassifications	—	0.8	0.8
Amounts reclassified from accumulated other comprehensive loss	(0.6)	—	(0.6)
Net current period other comprehensive (loss) income	(0.6)	0.8	0.2
At March 31, 2014	$(3.4)	$(10.5)	$(13.9)

	Defined Benefit Plans	Currency Translation Adjustments	Total
	(Dollars in millions)		
At December 31, 2012	$(6.6)	$(1.3)	$(7.9)
Other comprehensive income before reclassifications	—	0.1	0.1
Amounts reclassified from accumulated other comprehensive loss	(0.5)	—	(0.5)
Net current period other comprehensive (loss) income	(0.5)	0.1	(0.4)
At March 31, 2013	$(7.1)	$(1.2)	$(8.3)

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

	Three Months Ended March 31, 2014	2013
	(Dollars in millions)	
Amortization of defined benefit plan items to net income:		
Prior service benefit[2]	$(1.4)	(1.4)
Actuarial loss[2]	0.4	0.6
Total before taxes	(1.0)	(0.8)
Income tax benefit	0.4	0.3
Total, net of tax	$(0.6)	(0.5)

(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 (benefit) and defined benefit plan expense. See Note 6 for details.

12. 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.

Foreign Currency Hedge

The Company occasionally utilizes foreign exchange derivatives to manage the risks associated with fluctuations in foreign currency exchange rates and accounts for them under ASC 815-Derivatives and Hedging, which requires all derivatives to be marked to market (fair value). The Company does not purchase or hold any derivatives for trading purposes. On November 26, 2012, the Company entered into agreements to purchase 1.845 billion Indian rupees at a weighted average rate of 56.075 with a settlement date of January 31, 2013. During the first quarter of 2013, the settlement date for these agreements was extended to March 14, 2013. Additionally, on February 21, 2013, the Company entered into agreements to purchase an additional 1.830 billion Indian rupees at a weighted average rate of 54.810 with a settlement date of March 14, 2013, at which point our India joint venture investment was fully hedged. The Company did not elect hedge accounting treatment for these foreign exchange contracts and, therefore, the changes in the fair value of the derivative are recorded in other income, net on the Consolidated Statement of Operations. The contracts were cash settled on March 14, 2013 and the net mark to market impact of the foreign exchange contract was a gain of approximately $0.9 million for the three months ended March 31, 2013 which was recorded in other income, net on the Consolidated Statement of Operations.

Interest Rate Swaps

The Company utilizes interest rate swaps to manage the risk associated with changing interest rates and accounts for them under ASC 815—Derivatives and Hedging, which requires all derivatives to be marked to market (fair value). The Company does not purchase or hold any derivatives for trading purposes. On August 15, 2011, the Company entered into interest rate swap agreements with an aggregate notional amount of $125.0 million. During the first quarter of

2013, we settled one of the interest rate swaps having a notional amount of $25.0 million. The impact of this transaction on the financial

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statements was not material. The remaining agreements expire three years from the forward effective date of October 11, 2011. Under the outstanding interest rate swap agreements, the Company will pay a weighted average fixed rate of 1.3175 percent in exchange for receiving floating rate payments based on the greater of 1.0 percent or three-month LIBOR. The Company did not elect hedge accounting treatment for these interest rate swaps and, therefore, the changes in the fair value of the interest rate swap agreements are recorded in interest expense. The counterparties of the interest rate swap agreements are large financial institutions which the Company believes are of high quality creditworthiness. While the Company may be exposed to potential losses due to the credit risk of nonperformance by these counterparties, such losses are not anticipated.

The fair value of the swap agreements at March 31, 2014 and 2013 was a liability of approximately $0.2 million and $0.5 million, respectively. The mark to market impact of the swap arrangements was a reduction in interest expense of $0.1 million and $0.1 million for the three months ended March 31, 2014 and 2013, respectively. In estimating the fair market value of interest rate swaps, the Company utilized a present value technique which discounts future cash flows against the underlying floating rate benchmark. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty. These inputs are not observable in the market and are classified as Level 3 within the valuation hierarchy.

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

Contingent consideration related to the acquisition of Harold Keene Coal Co., Inc. and affiliated companies ("HKCC") is measured at fair value and amounted to $4.5 million at March 31, 2014. The estimated fair value is based on significant inputs that are not observable in the market, or Level 3 within the valuation hierarchy. Key assumptions at March 31, 2014 include (a) a risk-adjusted discount rate range of 0.994 percent to 8.632 percent, which reflects a credit spread adjustment for each period, and (b) production levels of HKCC operations between zero and 318 thousand tons per year. The fair value adjustments to contingent consideration did not have a material impact on cost of products sold in the three months ended March 31, 2014 and increased cost of products sold by $0.2 million for the three months ended March 31, 2013.

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At March 31, 2014, no material fair value adjustments or fair value measurements were required for these non-financial assets or liabilities.

Certain Financial Assets and Liabilities not Measured at Fair Value

At March 31, 2014, the estimated fair value of the Company’s debt was estimated to be $688.0 million, compared to a carrying amount of $647.9 million, which was net of original issue discount and mandatory pre-payments made since issuance. The fair value was estimated by management based upon estimates of debt pricing provided by financial institutions and are considered Level 3 inputs.

13. Business Segment Information

The Company is an independent owner and operator of five cokemaking facilities in the eastern and midwestern regions of the U.S. The Company is also the operator of a cokemaking facility for a project company in Brazil in which it has a preferred stock investment and is a 49 percent joint venture partner in a cokemaking operation in India. In addition to its cokemaking operations, the Company has metallurgical coal mining operations in the eastern U.S. as well as coal handling and blending operations in the eastern and midwestern regions of the U.S.

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 recover waste heat which is converted to steam or electricity through a similar production process. Coke sales at each of the Company's five domestic cokemaking facilities are made pursuant to long-term take-or-pay agreements with ArcelorMittal, AK Steel, and U.S. Steel. Each of the coke sales agreements contains pass-through provisions for costs incurred in the cokemaking process, including coal procurement costs (subject to meeting contractual coal-to-coke yields), operating and maintenance expense, costs related to the transportation of coke to the customers, taxes (other than income taxes) and costs associated with changes in regulation, in addition to containing a fixed fee.

On March 18, 2013, we completed the transaction to form a cokemaking joint venture called VISA SunCoke with VISA Steel. VISA SunCoke is comprised of a 440 thousand ton heat recovery cokemaking facility and the facility's associated steam generation units in Odisha, India. We own a 49 percent interest in VISA SunCoke and account for this investment under the equity method. We recognize our share of earnings in VISA SunCoke on a one-month lag and began recognizing such earnings in the second quarter of 2013. The results of our joint venture are presented below in the India Coke segment.

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The Brazil Coke segment operates a cokemaking facility located in Vitória, Brazil for a project company. The Brazil Coke segment earns income from the Brazilian facility through (1) licensing and operating fees payable to us under long-term contracts with the local project company that will run through at least 2022, subject, in the case of the licensing agreement, to approval by the Brazilian Patent Office of the addition of two new patents to the agreement, both of which were issued in Brazil in the past year; and (2) an annual preferred dividend on our preferred stock investment from the project company guaranteed by the Brazil subsidiary of ArcelorMittal.

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

The Coal Logistics segment includes the Lake Terminal and KRT facilities, which were acquired during the third and fourth quarter of 2013, respectively. These facilities provide coal handling and blending services to certain SunCoke cokemaking facilities as well as third party customers. This business has a collective capacity to blend and transload more than 30 million tons of coal annually. Coal blending and handling results are presented in the Coal Logistics segment below.

Corporate and other expenses that can be identified with a segment have been included in determining segment results. The remainder is included in Corporate and Other. Interest expense, net, which consists principally of interest income, interest expense and interest capitalized, is also excluded from segment results. Segment assets are those assets that are utilized within a specific segment.

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

	Three Months Ended March 31, 2014 (Dollars in millions)						
	Domestic Coke	Brazil Coke	India Coke	Coal Mining	Coal Logistics	Corporate and Other	Consolidated
Sales and other operating revenue	$333.5	$9.3	$—	$6.5	$8.7	$—	$358.0
Intersegment sales	$—	$—	$—	$33.9	$4.2	$—	$—
Adjusted EBITDA	$46.8	$1.7	$0.1	$(8.0)	$2.1	$(9.1)	$33.6
Loss from equity method investment	$—	$—	$0.6	$—	$—	$—	$0.6
Depreciation, depletion and amortization	$21.0	$0.1	$—	$5.3	$1.8	$0.8	$29.0
Capital expenditures	$36.3	$—	$—	$0.9	$0.3	$0.6	$38.1
Total segment assets	$1,536.2	$60.3	$57.1	$177.0	$118.9	$234.0	$2,183.5

	Three Months Ended March 31, 2013 (Dollars in millions)				
	Domestic Coke	Brazil Coke	Coal Mining	Corporate and Other	Consolidated
Sales and other operating revenue	$428.2	$9.7	$13.6	$—	$451.5
Intersegment sales	$—	$—	$32.2	$—	$—
Adjusted EBITDA	$61.1	$1.6	$(4.6)	$(5.8)	$52.3
Depreciation, depletion and amortization	$18.2	$0.1	$5.0	$0.6	$23.9
Capital expenditures	$23.3	$0.5	$5.8	$0.9	$30.5
Total segment assets	$1,568.0	$61.7	$200.1	$337.6	$2,167.4

The Company evaluates the performance of its segments based on segment Adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for sales discounts and the interest, taxes, depreciation, depletion and amortization attributable to our equity method investment. EBITDA reflects sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuel tax credits, which reduce our income tax expense. However, we believe our

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Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. Our Adjusted EBITDA also includes EBITDA attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses.

Management believes Adjusted EBITDA is an important measure of the operating performance of the Company's net assets and 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. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

Set forth below is additional detail as to how we use Adjusted EBITDA as a measure of operating performance, as well as a discussion of the limitations of Adjusted EBITDA as an analytical tool.

Operating Performance. Our management uses Adjusted EBITDA in a number of ways to assess our consolidated financial and operating performance, and we believe this measure is helpful to management in identifying trends in our performance. Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance while neutralizing the impact of capital structure on financial results. Accordingly, we believe this metric measures our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

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 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 (loss) attributable to noncontrolling interests.

Below is a reconciliation of Adjusted EBITDA (unaudited) to net income, which is its most directly comparable financial measure calculated and presented in accordance with GAAP:

	Three Months Ended March 31,	
	2014	2013
Adjusted EBITDA attributable to SunCoke Energy, Inc.	$24.3	$43.9
Add: Adjusted EBITDA attributable to noncontrolling interests [(1)]	9.3	8.4
Adjusted EBITDA	33.6	52.3
Subtract:		
Adjustments to unconsolidated affiliate earnings[(2)]	1.0	—
Depreciation, depletion and amortization	29.0	23.9
Interest expense, net	12.1	15.8
Income tax (benefit) expense	(4.2)	4.8
Sales discounts provided to customers due to sharing of nonconventional fuel tax credits [(3)]	(0.5)	1.4
Net income	$(3.8)	$6.4

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

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(2) Reflects share of interest, taxes, depreciation and amortization related to VISA SunCoke.

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

The following table sets forth the Company’s total sales and other operating revenue by product or service:

	Three Months Ended March 31,	
	2014	2013
	(Dollars in millions)	
Coke sales	$315.8	$412.0
Steam and electricity sales	17.8	16.2
Operating and licensing fees	9.3	9.8
Metallurgical coal sales	6.6	13.5
Coal logistics	8.1	—
Other	0.4	
Sales and other operating revenue	$358.0	$451.5

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14. Supplemental Condensed Consolidating Financial Information

Certain 100 percent owned subsidiaries of the Company serve as guarantors of the obligations under the Credit Agreement and $400 million Notes (“Guarantor Subsidiaries”). These guarantees are full and unconditional (subject, in the case of the Guarantor Subsidiaries, to customary release provisions as described below) and joint and several. For purposes of the following footnote, SunCoke Energy, Inc. is referred to as “Issuer.” The indenture dated July 26, 2011 among the Company, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., governs subsidiaries designated as “Guarantor Subsidiaries.” All other consolidated subsidiaries of the Company are collectively referred to as “Non-Guarantor Subsidiaries.”

The ability of the Partnership and Indiana Harbor to pay dividends and make loans to the Company is restricted under the partnership agreements of the Partnership and Indiana Harbor, respectively. The credit agreement governing the Partnership’s credit facility and the indenture governing the Partnership Notes contain customary provisions which would potentially restrict the Partnership’s ability to make distributions or loans to the Company under certain circumstances. For the year ended December 31, 2013, less than 25 percent of net assets were restricted.

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.
- the release, other than the discharge through payments by a Guarantor Subsidiary, from its guarantee under the Credit Agreement or other indebtedness that resulted in the obligation of the Guarantor Subsidiary under the indenture governing the Notes

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

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Three Months Ended March 31, 2014
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$112.6	$245.4	$—	$358.0
Equity in earnings of subsidiaries	6.6	9.4	—	(16.0)	—
Other income	—	1.5	0.1	—	1.6
Total revenues	6.6	123.5	245.5	(16.0)	359.6
Costs and operating expenses					
Cost of products sold and operating expenses	—	96.9	207.1	—	304.0
Selling, general and administrative expenses	3.2	12.2	6.5	—	21.9
Depreciation, depletion and amortization	—	10.6	18.4	—	29.0
Total costs and operating expenses	3.2	119.7	232.0	—	354.9
Operating income	3.4	3.8	13.5	(16.0)	4.7
Interest (income) expense, net - affiliate	—	(1.8)	1.8	—	—
Interest cost (income), net	9.3	(0.3)	3.1	—	12.1
Total financing expense (income), net	9.3	(2.1)	4.9	—	12.1
(Loss) income before income tax (benefit) expense and loss from equity method investment	(5.9)	5.9	8.6	(16.0)	(7.4)
Income tax expense (benefit)	1.9	(6.7)	0.6	—	(4.2)
Loss from equity method investment	—	—	0.6	—	0.6
Net (loss) income	(7.8)	12.6	7.4	(16.0)	(3.8)
Less: Net income attributable to noncontrolling interests	—	—	4.0	—	4.0
Net (loss) income attributable to SunCoke Energy, Inc.	$(7.8)	$12.6	$3.4	$(16.0)	$(7.8)
Comprehensive (loss) income	$(7.6)	$12.0	$8.2	$(16.2)	$(3.6)
Less: Comprehensive income attributable to noncontrolling interests	—	—	4.0	—	4.0
Comprehensive (loss) income attributable to SunCoke Energy, Inc.	$(7.6)	$12.0	$4.2	$(16.2)	$(7.6)

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Operations
Three Months Ended March 31, 2013
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue	$—	$136.9	$314.6	$—	$451.5
Equity in earnings of subsidiaries	13.1	19.6	—	(32.7)	—
Other income, net	—	2.4	—	—	2.4
Total revenues	13.1	158.9	314.6	(32.7)	453.9
Costs and operating expenses					
Cost of products sold and operating expenses	—	115.6	266.8	—	382.4
Selling, general and administrative expenses	2.5	12.5	5.6	—	20.6
Depreciation, depletion, and amortization	—	10.1	13.8	—	23.9
Total costs and operating expenses	2.5	138.2	286.2	—	426.9
Operating income	10.6	20.7	28.4	(32.7)	27.0
Total financing expense (income), net	9.8	(3.7)	9.7	—	15.8
Income before income tax expense	0.8	24.4	18.7	(32.7)	11.2
Income tax (benefit) expense	(1.3)	5.0	1.1	—	4.8
Net income	2.1	19.4	17.6	(32.7)	6.4
Less: Net income attributable to noncontrolling interests	—	—	4.3	—	4.3
Net income attributable to SunCoke Energy, Inc.	$2.1	$19.4	$13.3	$(32.7)	$2.1
Comprehensive income	$1.7	$18.9	$17.7	$(32.3)	$6.0
Less: Comprehensive income attributable to noncontrolling interests	—	—	4.3	—	4.3
Comprehensive income attributable to SunCoke Energy, Inc.	$1.7	$18.9	$13.4	$(32.3)	$1.7

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

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$154.8	$23.4	$—	$178.2
Receivables	0.1	27.5	53.9	—	81.5
Inventories	—	43.1	81.7	—	124.8
Income taxes receivable	35.3	—	13.8	(43.5)	5.6
Deferred income taxes	9.2	11.8	0.8	(9.2)	12.6
Other current assets	—	5.1	2.4	—	7.5
Advances to affiliate	34.1	72.1	—	(106.2)	—
Interest receivable from affiliate	—	1.8	—	(1.8)	—
Total current assets	78.7	316.2	176.0	(160.7)	410.2
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazil cokemaking operations	—	—	41.0	—	41.0
Equity method investment	—	—	56.8	—	56.8
Properties, plants and equipment, net	—	495.4	1,057.8	—	1,553.2
Lease and mineral rights, net	—	52.7	—	—	52.7
Goodwill	—	9.4	15.7	—	25.1
Deferred charges and other assets	11.2	22.8	10.5	—	44.5
Investment in subsidiaries	970.1	789.2	—	(1,759.3)	—
Total assets	$1,060.0	$1,774.7	$1,657.8	$(2,309.0)	$2,183.5
Liabilities and Equity					
Advances from affiliate	$—	$34.1	$72.1	$(106.2)	$—
Accounts payable	—	44.0	92.3	—	136.3
Current portion of long term debt	1.0	—	40.0	—	41.0
Accrued liabilities	0.6	30.7	15.5	—	46.8
Interest payable	6.0	—	1.8	—	7.8
Interest payable to affiliate	—	—	1.8	(1.8)	—
Income taxes payable	—	43.5	—	(43.5)	—
Total current liabilities	7.6	152.3	223.5	(151.5)	231.9
Long term debt	498.2	—	149.7	—	647.9
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	32.4	—	—	32.4
Retirement benefit liabilities	—	35.0	—	—	35.0
Deferred income taxes	—	379.9	2.4	(9.2)	373.1
Asset retirement obligations	—	15.7	2.5	—	18.2
Other deferred credits and liabilities	1.7	17.6	0.7	—	20.0
Total liabilities	507.5	932.9	467.8	(549.7)	1,358.5
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued and outstanding shares at March 31, 2014 and December 31, 2013	—	—	—	—	—

Common stock, $0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,762,824 and 69,636,785 shares at March 31, 2014 and December 31, 2013, respectively	0.7	—	—	—	0.7
Treasury stock,1,255,355 shares at March 31, 2014 and at December 31, 2013	(19.9)	—	—	—	(19.9)
Additional paid-in capital	449.6	430.9	724.9	(1,155.8)	449.6
Accumulated other comprehensive (loss) income	(13.9)	(3.3)	(10.6)	13.9	(13.9)
Retained earnings	136.0	414.2	203.2	(617.4)	136.0
Total SunCoke Energy, Inc. stockholders' equity	552.5	841.8	917.5	(1,759.3)	552.5
Noncontrolling interests	—	—	272.5	—	272.5
Total equity	552.5	841.8	1,190.0	(1,759.3)	825.0
Total liabilities and equity	$1,060.0	$1,774.7	$1,657.8	$(2,309.0)	$2,183.5

SunCoke Energy, Inc.
Condensed Consolidating Balance Sheet
December 31, 2013
(Dollars in millions, except per share amounts)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	$—	$184.7	$48.9	$—	$233.6
Receivables	—	53.4	38.1	—	91.5
Inventories	—	44.1	91.2	—	135.3
Income tax receivable	39.9	—	13.4	(46.7)	6.6
Advances to affiliates	48.2	33.6	—	(81.8)	—
Deferred income taxes	9.4	11.8	0.8	(9.4)	12.6
Other current assets	—	1.3	1.0	—	2.3
Interest receivable from affiliate	—	7.3	—	(7.3)	—
Total current assets	97.5	336.2	193.4	(145.2)	481.9
Notes receivable from affiliate	—	89.0	300.0	(389.0)	—
Investment in Brazilian cokemaking operations	—	—	41.0		41.0
Equity method investment in VISA SunCoke Limited	—	—	56.8	—	56.8
Properties, plants and equipment, net	—	500.9	1,043.2	—	1,544.1
Lease and mineral rights, net	—	52.8	—	—	52.8
Goodwill and other intangible assets, net	—	9.4	16.0	—	25.4
Deferred charges and other assets	11.7	20.5	9.7	—	41.9
Investment in Subsidiaries	$963.3	$723.8	$—	$(1,687.1)	$—
Total assets	1,072.5	1,732.6	1,660.1	(2,221.3)	2,243.9
Liabilities and Equity					
Advances from affiliate	—	48.2	33.6	(81.8)	—
Accounts payable	—	48.8	105.5	—	154.3
Current portion of long-term debt	1.0	—	40.0	—	41.0
Accrued liabilities	0.5	52.6	16.4	—	69.5
Interest payable	13.6	—	4.6	—	18.2
Interest payable to affiliate	—	—	7.3	(7.3)	—
Income taxes payable	—	46.7	—	(46.7)	—
Total current liabilities	15.1	196.3	207.4	(135.8)	283.0
Long term-debt	498.4	—	149.7	—	648.1
Payable to affiliate	—	300.0	89.0	(389.0)	—
Accrual for black lung benefits	—	32.4	—	—	32.4
Retirement benefit liabilities	—	34.8	—	—	34.8
Deferred income taxes	—	383.9	2.1	(9.4)	376.6
Asset retirement obligations	—	15.5	2.4	—	17.9
Other deferred credits and liabilities	1.6	16.6	0.6	—	18.8
Total liabilities	515.1	979.5	451.2	(534.2)	1,411.6
Equity					
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no issued and outstanding	—	—	—	—	—

shares at December 31, 2013 and 2012					
Common stock, $0.01 par value. Authorized 300,000,000 shares; issued and outstanding 69,636,785 shares and 69,988,728 shares at December 31, 2013 and 2012, respectively	0.7	—	—	—	0.7
Treasury Stock, 1,255,355 shares and 603,528 shares at December 31, 2013 and 2012, respectively	(19.9)	—	—	—	(19.9)
Additional paid-in capital	446.9	354.2	745.6	(1,099.8)	446.9
Accumulated other comprehensive loss	(14.1)	(2.7)	(11.4)	14.1	(14.1)
Retained earnings	143.8	401.6	199.8	(601.4)	143.8
Total SunCoke Energy, Inc. stockholders' equity	557.4	753.1	934.0	(1,687.1)	557.4
Noncontrolling interests	—	—	274.9	—	274.9
Total equity	557.4	753.1	1,208.9	(1,687.1)	832.3
Total liabilities and equity	$1,072.5	$1,732.6	$1,660.1	$ (2,221.3)	$2,243.9

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2014
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net (loss) income	$(7.8)	$12.6	$7.4	$(16.0)	$(3.8)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion and amortization	—	10.6	18.4	—	$29.0
Deferred income tax expense (benefit)	0.2	(3.6)	0.3	—	$(3.1)
Payments less than expense for retirement plans	—	0.1	—	—	$0.1
Share-based compensation expense	2.3	—	—	—	$2.3
Excess tax benefit from share-based awards	(0.2)	—	—	—	$(0.2)
Loss from equity method investment	—	—	0.6	—	$0.6
Equity in earnings of subsidiaries	(6.6)	(9.4)	—	16.0	$—
Changes in working capital pertaining to operating activities, net of acquisition:					
Receivables	(0.1)	25.9	(15.8)	—	$10.0
Inventories	—	1.0	9.5	—	$10.5
Accounts payable	0.1	(4.9)	(12.8)	—	$(17.6)
Accrued liabilities	—	(21.6)	(0.9)	—	$(22.5)
Interest payable	(7.6)	5.5	(8.3)	—	$(10.4)
Income taxes receivable	4.8	(3.2)	(0.4)	—	$1.2
Other	0.4	(6.0)	(1.8)	—	$(7.4)
Net cash (used in) provided by operating activities	(14.5)	7.0	(3.8)	—	(11.3)
Cash Flows from Investing Activities:					
Capital expenditures	—	(5.0)	(33.1)	—	$(38.1)
Net cash used in investing activities	—	(5.0)	(33.1)	—	(38.1)
Cash Flows from Financing Activities:					
Proceeds from revolving facility	—	—	16.0	—	$16.0
Repayment of revolving facility	—	—	(16.0)	—	$(16.0)
Distribution to unitholders	—	—	(6.4)	—	$(6.4)
Proceeds from exercise of stock options, net of shares withheld for taxes	0.2	—	—	—	$0.2
Excess tax benefit from share-based awards	0.2	—	—	—	$0.2
Net increase (decrease) in advances from affiliate	14.1	(31.9)	17.8	—	$—
Net cash provided by (used in) financing activities	14.5	(31.9)	11.4	—	(6.0)
Net decrease in cash and cash equivalents	—	(29.9)	(25.5)	—	$(55.4)
Cash and cash equivalents at beginning of period	—	184.7	48.9	—	$233.6
Cash and cash equivalents at end of period	$—	$154.8	$23.4	$—	$178.2

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SunCoke Energy, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2013
(Dollars in millions)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
Cash Flows from Operating Activities:					
Net income	$2.1	$19.4	$17.6	$(32.7)	$6.4
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	—	10.1	13.8	—	23.9
Deferred income tax (benefit) expense	—	2.6	—	—	2.6
Payments less than expense for retirement plans	—	(0.4)	—	—	(0.4)
Share-based compensation expense	1.4	—	—	—	1.4
Equity in earnings of subsidiaries	(13.1)	(19.6)	—	32.7	—
Changes in working capital pertaining to operating activities:					
Receivables	—	(19.4)	(7.6)	—	(27.0)
Inventories	—	10.6	8.3	—	18.9
Accounts payable	(0.5)	6.1	13.4	—	19.0
Accrued liabilities	(0.1)	(6.7)	(14.6)	—	(21.4)
Interest payable	(9.7)	(1.8)	3.8	—	(7.7)
Income taxes payable	(1.0)	10.6	(8.3)	—	1.3
Other	11.1	10.5	(25.8)	—	(4.2)
Net cash (used in) provided by operating activities	(9.8)	22.0			