



SunCoke Energy, Inc. Q2 2014 Earnings Conference Call

July 24, 2014



SunCoke Energy™

Forward-Looking Statements



This slide presentation should be reviewed in conjunction with the Second Quarter 2014 earnings release of SunCoke Energy, Inc. (SXC) and the conference call held on July 24, 2014 at 11:30 a.m. ET.

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This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided in the Appendix at the end of the presentation. Investors are urged to consider carefully the comparable GAAP measures and the reconciliations to those measures provided in the Appendix.

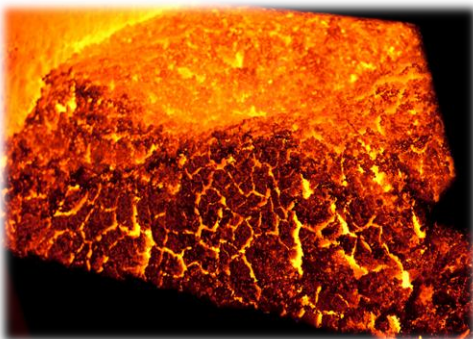


Operating Highlights

- Coke operations recovered from weather-challenged Q1
 - Achieved Adjusted EBITDA of \$61/ton
- Coal Logistics key contributor to results
- Maintained strong Coke and Coal safety performance

Transitioning to Pure-Play GP

- Completed first dropdown to SXCP
 - GP/LP cash flows to SXC expected to be \$11.2M in Q3
- Coal Mining sale progressing
 - Received several indicative offers from quality bidders
 - Recorded \$103M non-cash impairment charge



Initiating Capital Allocation Strategy

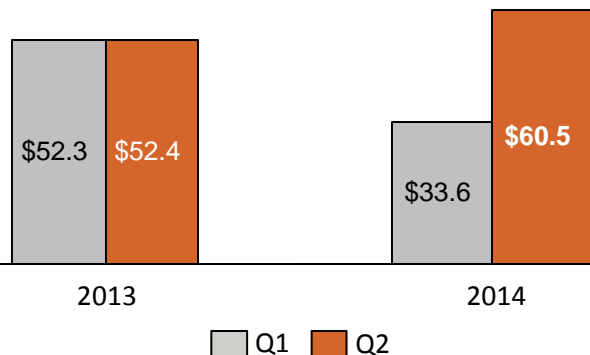
- Board approved \$150M share repurchase
 - \$75M to be executed via accelerated share repurchase
- Strong financial position provides capacity to pursue growth and return cash to shareholders

Q2 2014 Earnings Overview



Adjusted EBITDA^(1,2,3)

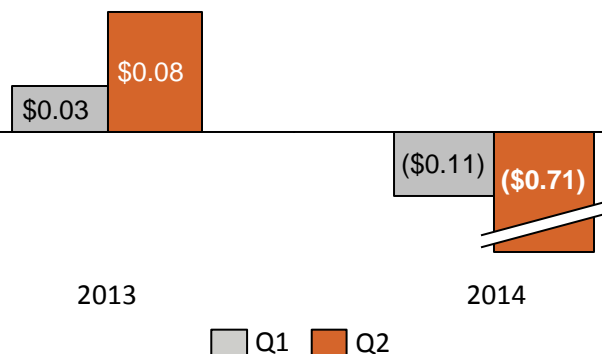
(\$ in millions)



Excluding impairment, Adj. EBITDA improved

- Solid Domestic Coke performance on better Indiana Harbor results
- Benefited from Coal Logistics
- Favorable contingent consideration in Coal mitigated wider Adj. EBITDA loss

Earnings Per Share (diluted)



Q2 2014 EPS impacted by

- Coal impairment charge
- Dropdown transaction costs
- Favorable NCI

Excluding impairment, re-affirm 2014 Adj. EBITDA outlook of \$220M - \$240M⁽⁴⁾

- Continuing operations 2014 Adj. EBITDA expected to be \$235M - \$255M

(1) For a definition and reconciliation of Adjusted EBITDA, please see appendix.

(2) Excludes \$103M impairment charge on coal mining business.

(3) Includes benefit of \$4.3M coal business contingent consideration.

(4) Excludes coal impairment charge and costs associated with exit of coal business.

Q2 2014 Financial Results



(\$ in millions, except volumes and per share)	Q2'14	Q2'13	Q2'14 vs. Q2'13
Domestic Coke Sales Volumes	1,059	1,074	(15)
Coal Sales Volumes	419	457	(38)
Coal Transloading Volumes	5,605	-	5,605
Coke Adjusted EBITDA ⁽¹⁾	\$66.3	\$63.7	\$2.6
Coal Adjusted EBITDA ^(2,3)	(\$1.2)	(\$2.6)	\$1.4
Coal Logistics Adj. EBITDA	\$5.0	-	\$5.0
Corporate/Other	(\$9.6)	(\$8.7)	(\$0.9)
Adjusted EBITDA ⁽²⁾	\$60.5	\$52.4	\$8.1
Revenue	\$371.7	\$403.6	(\$31.9)
Operating Income	(\$71.4)	\$26.1	(\$97.5)
Net Income Attributable to Shareholders ⁽⁴⁾	(\$49.2)	\$5.7	(\$54.9)
Earnings Per Share ⁽⁴⁾	(\$0.71)	\$0.08	(\$0.79)

(1) Coke Adjusted EBITDA includes Domestic Coke, Brazil Coke and India Coke segments.

(2) For a definition and reconciliation of Adjusted EBITDA, please see appendix.

(3) Excludes coal impairment charge of \$103M, but includes benefit of \$4.3M HKCC contingent consideration fair value adjustment.

(4) Excluding coal business impairment charge, net income was \$1.8M, or \$0.03 per share.

Excluding impairment charge, Adj. EBITDA up 15%

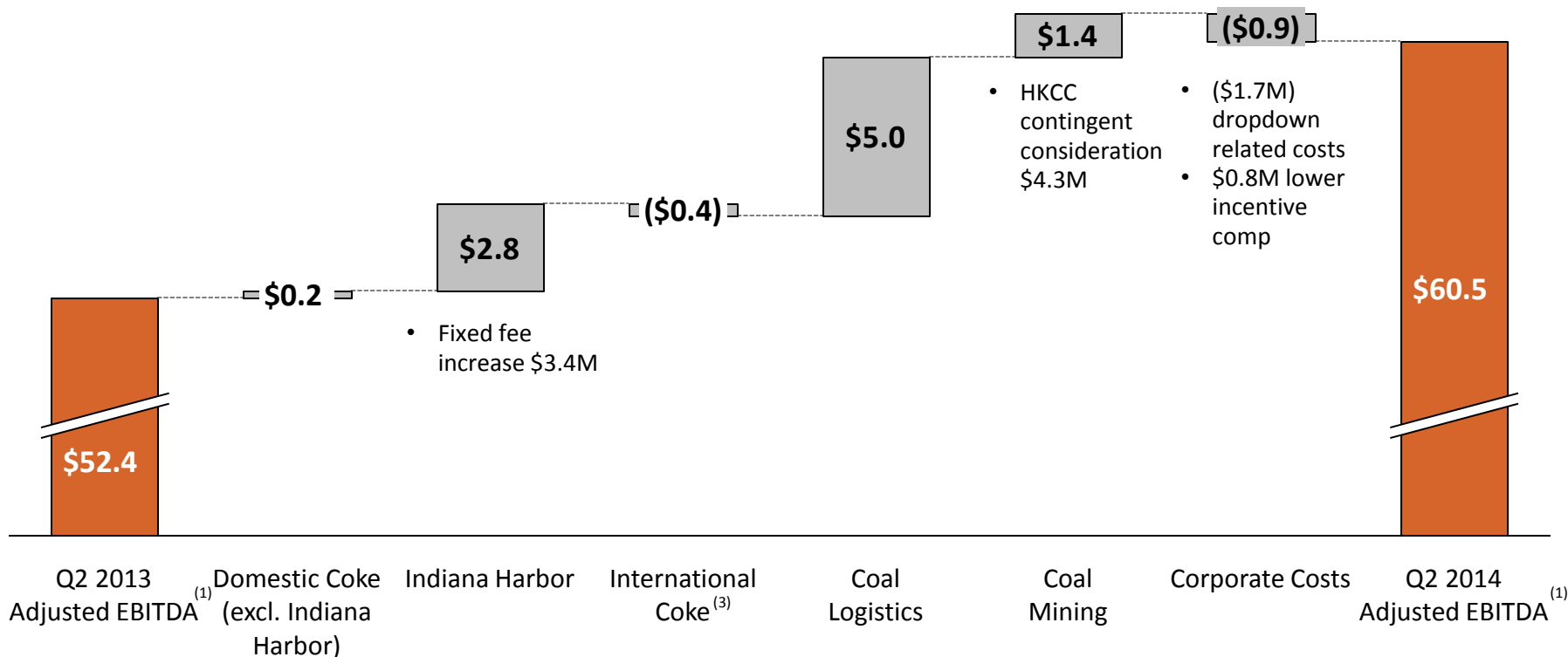
- Domestic Coke up slightly
 - Indiana Harbor improved on higher fixed fee partly offset by lower production and higher costs
 - Haverhill impacted by lower yield and higher outage costs
- Coal segment up \$1.4M on \$4.3M contingent consideration adjustment
 - Achieved cash production cost per ton target
 - Continued price headwinds
- Corporate includes \$1.7M dropdown-related costs

Adjusted EBITDA^(1,2) Bridge – Q2 '13 to Q2 '14



Adjusted EBITDA benefitted from Coal Logistics, better results at Indiana Harbor and favorable coal mining fair value adjustment

(\$ in millions)



(1) For a definition and reconciliation of Adjusted EBITDA, please see the appendix.

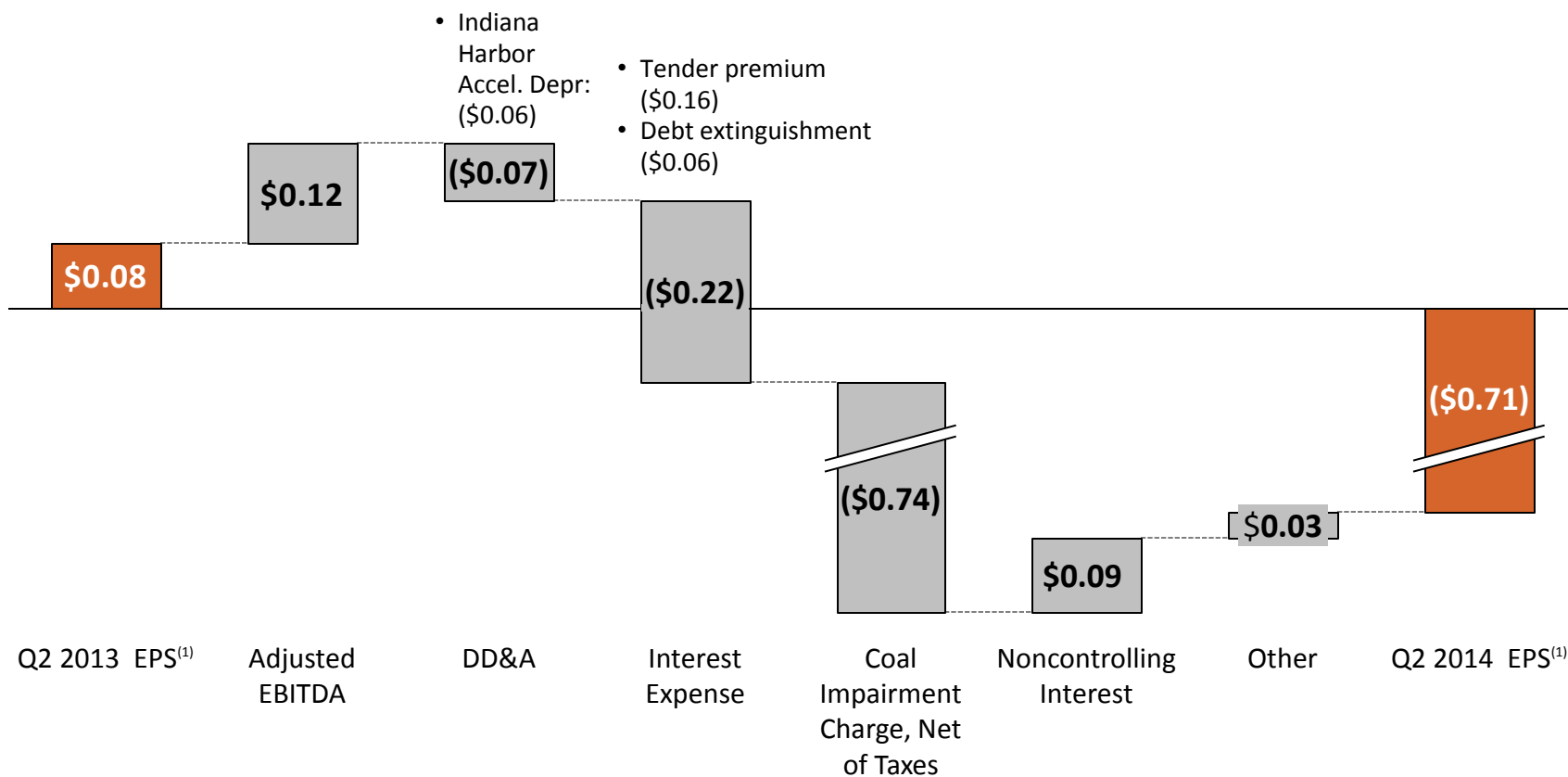
(2) Excludes Coal impairment charges of \$103M in Q2 2014.

(3) Includes Brazil Coke and India Coke.

Diluted EPS Bridge – Q2 '13 to Q2 '14



EPS reflects impact of impairment charge and dropdown financing costs partly offset by lower taxes and NCI



⁽¹⁾ EPS attributable to SXC

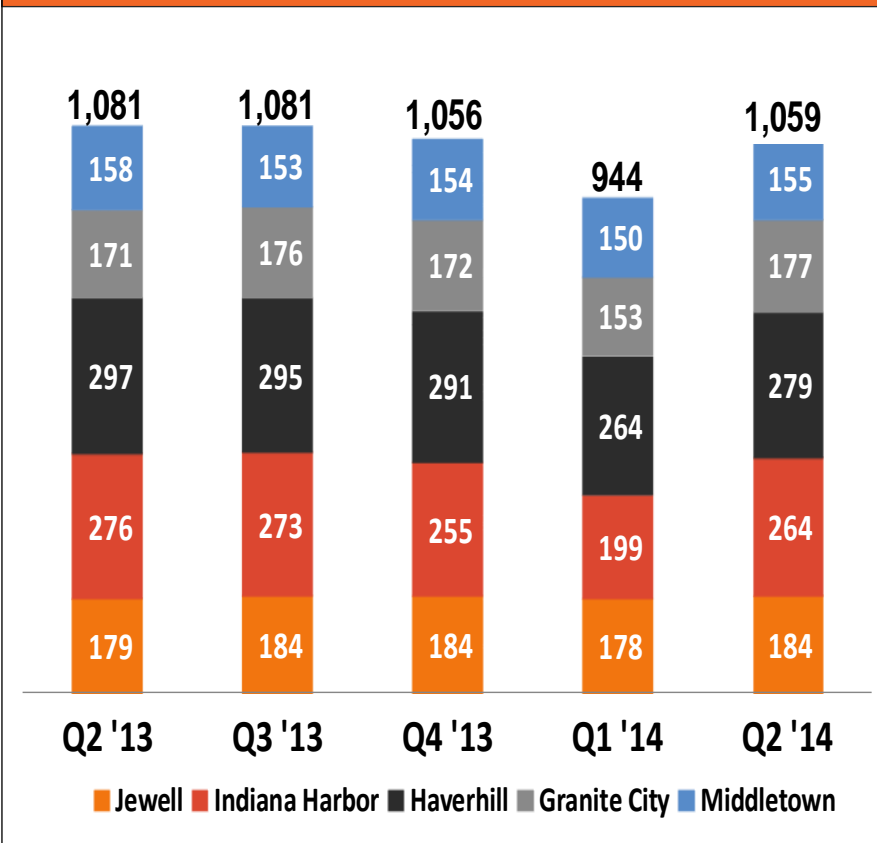
Domestic Coke Business Summary



**Achieved Adjusted EBITDA per ton \$61;
anticipate \$60-\$65 per ton average for balance of year**

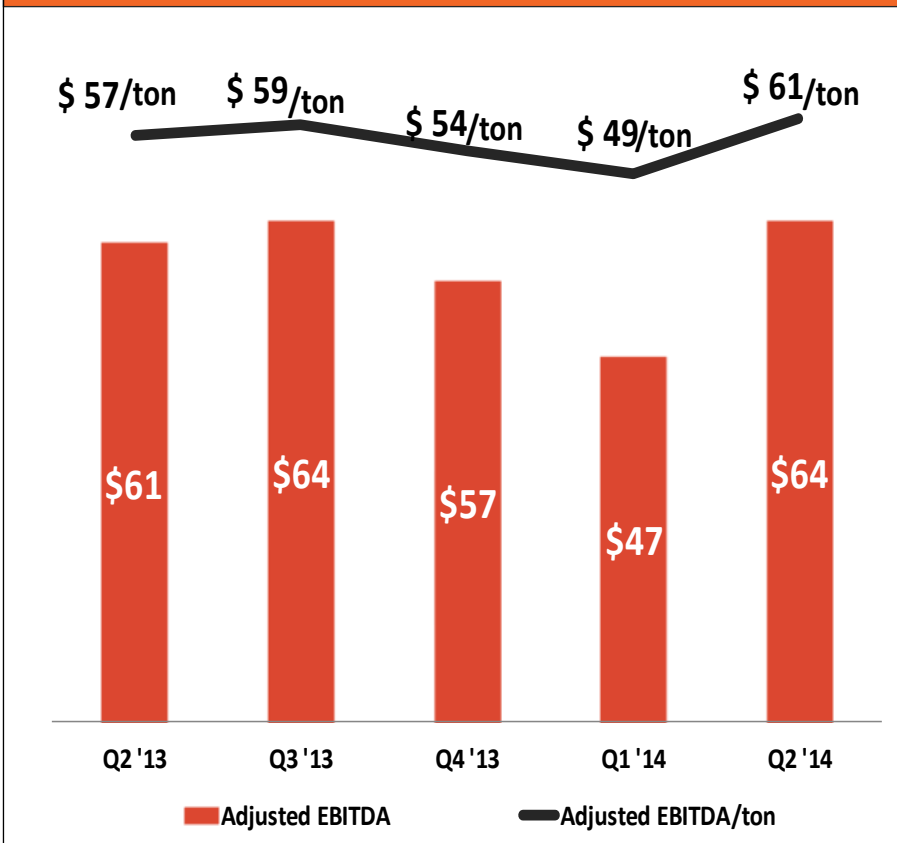
Domestic Coke Production

(thousands of tons)



Domestic Coke Adjusted EBITDA⁽¹⁾ Per Ton

(\$ in millions, except per ton amounts)



(1) For a definition of Adjusted EBITDA and Adjusted EBITDA/Ton and reconciliations, see appendix.

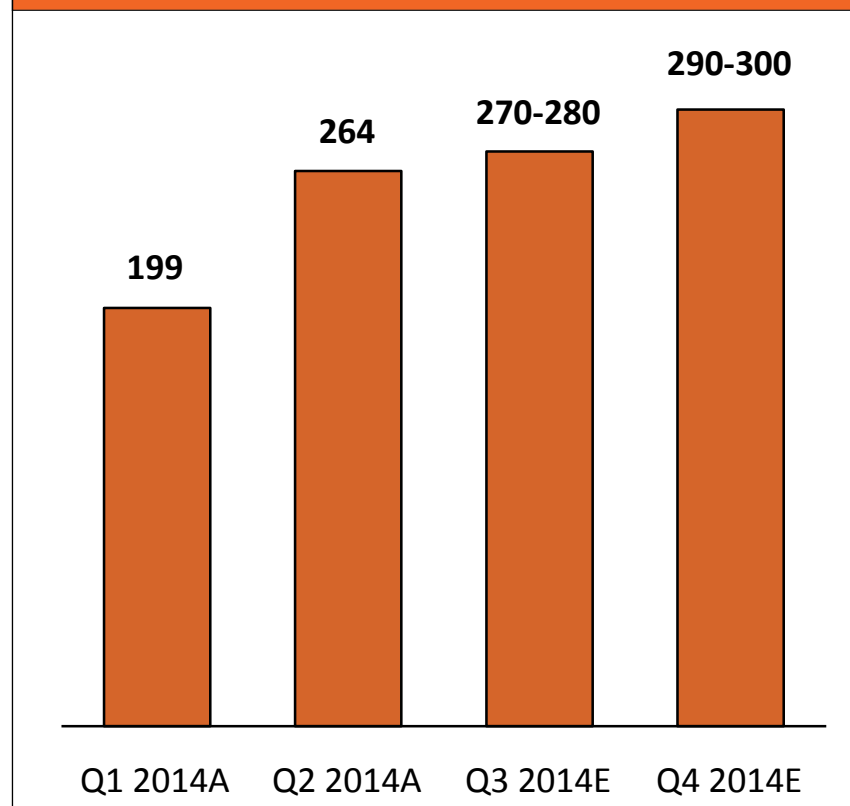


Demonstrated production improvement at above benchmark yield of 65%

- Ramp-up to continue in 2H14
 - Focus on maintaining yield and managing costs
 - Continuing to execute repair and replacement work
- Blast furnace restart underway
 - Portion of July production sold under deferred payment terms
- 1H14 Adj. EBITDA of ~(\$1.1M):
 - Expect 2014 Adj. EBITDA of \$20M - \$25M

2014E Coke Production

(thousands of tons)

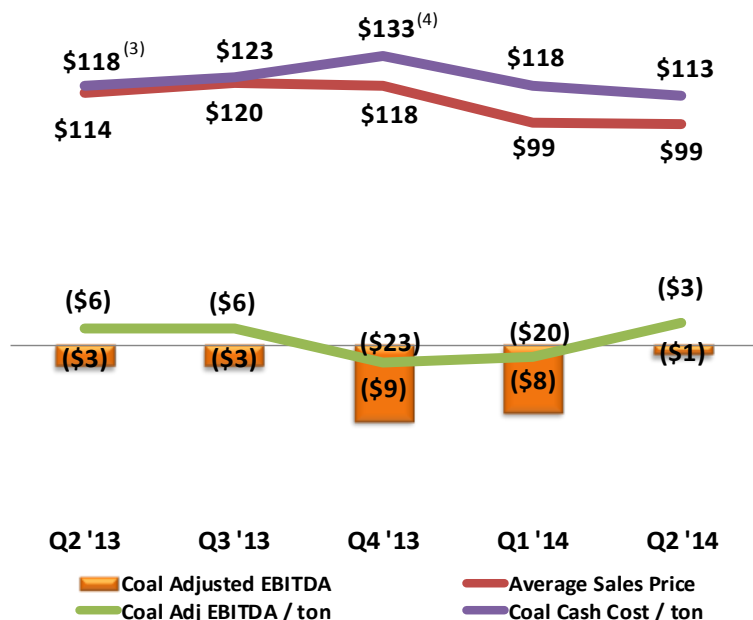


Coal Mining Financial Summary



Coal Mining Adjusted EBITDA⁽¹⁾ and Avg. Sales Price/Ton⁽²⁾

(\$ in millions, except per ton amounts)



Coal Sales, Production and Purchases

	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14
Coal Sales	457	433	389	398	419
Coal Production	367	350	275	306	336
Purchased Coal	91	110	115	91	139
Reject Rate (%)	70	70	70	68	69

(1) For a definition and a reconciliation of Adjusted EBITDA, please see the appendix.

(2) Avg. Sales Price is weighted avg. price for all sales, including to affiliates and Jewell Coke.

(3) Excludes the benefit of a \$0.4 million decline in accrued potential fines and penalties.

(4) Excludes Black Lung liability charge of \$1.7 million and charges for accrued potential fines and penalties of \$0.2 million.

Coal operation performed as expected

- Q2 up \$1.4M versus last year
- \$4 per ton improvement in cash cost per ton offset by \$16 per ton lower sales price
- Achieved cash cost per ton target of \$115

Sale process underway

- Impairment charge of \$103M; writedown to estimated fair value
- Anticipate transaction by year end

Business now “held for sale”

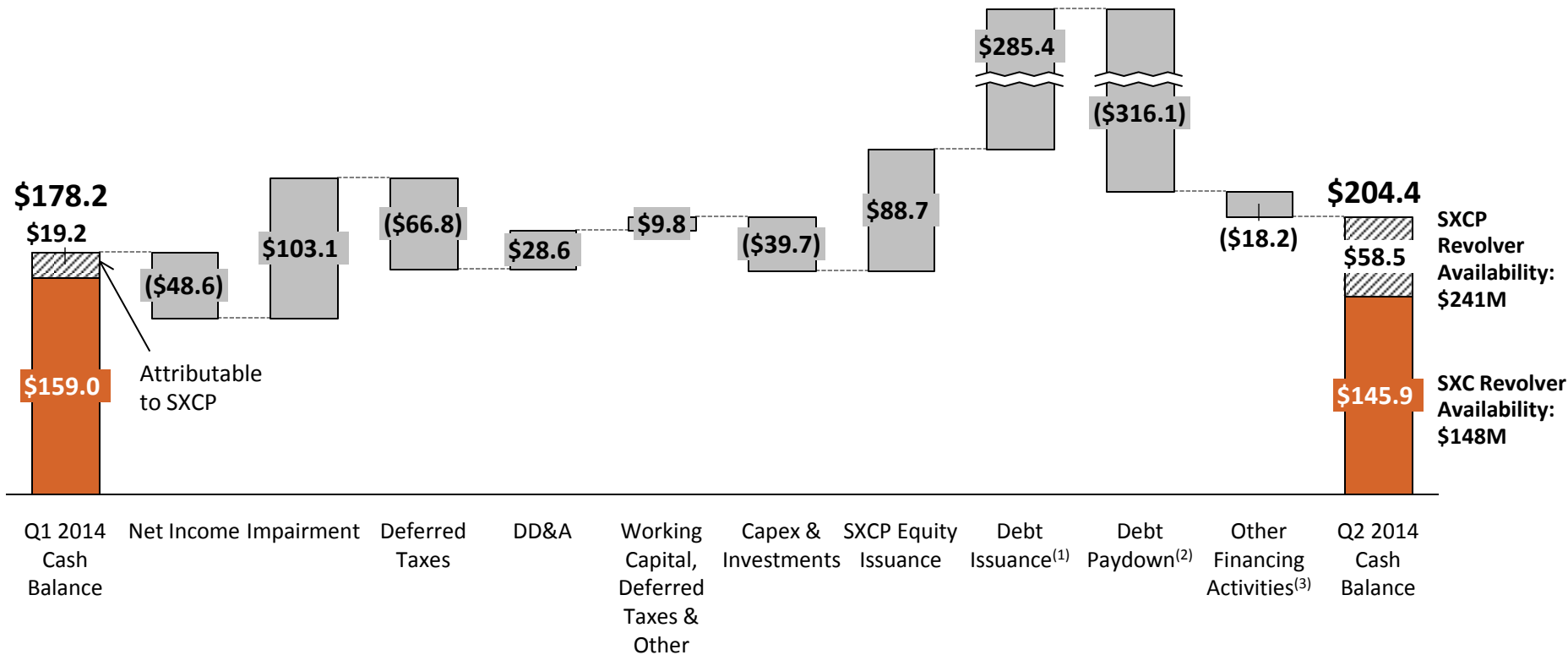
- Treated as discontinued operations beginning in Q3

SXC Liquidity Position



Ended quarter with strong cash position and revolver availability

(\$ in millions)



(1) Includes \$268.1M of proceeds from SXCP's 7.375% senior notes, net of (\$6.7M) of debt issuance costs plus \$24M draw on SXCP revolver.

(2) Includes re-payment of the following: (\$99.9M) SXC term loan, (\$160M) 7.625% SXC senior notes and (\$56M) SXCP revolver paydown.

(3) Includes \$8.4M distribution to unitholders and \$10.1M share purchases.

Balance Sheet & Debt Metrics



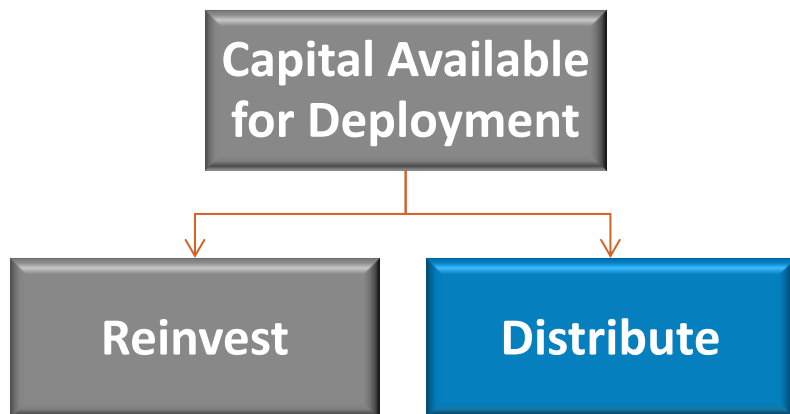
Strong financial position provides flexibility to reinvest in growth opportunities and return cash to shareholders

<i>(\$ in millions - as of 6/30/14)</i>	SXC Consolidated	Attributable to SXCP	Balance Attributable to SXC
Cash	\$ 204	\$ 59	\$ 145
Revolver Capacity	389	241	148
Total Liquidity	593	300	293
Total Debt (Long and Short-term)	666	426	240
Net Debt (Total Debt less Cash)	462	367	95
FY 2014 Adj. EBITDA (midpoint) ⁽¹⁾	\$ 230	\$ 145	\$ 169
Total Debt/2014E Adj. EBITDA ⁽¹⁾	2.9x	2.9x	1.4x
Net Debt/2014E Adj. EBITDA ⁽¹⁾	2.0x	2.5x	0.6x

(1) For Consolidated and Balance Attributable to SXC, excludes coal impairment charge and is based on the mid-point of SXC 2014 Adjusted EBITDA guidance of \$220-\$240 million (\$230M mid-point) and \$160-\$177 million (\$169M mid-point), respectively. For SXCP, based on 2014 proforma Adjusted EBITDA guidance of \$142-\$148 million (\$145M mid-point). Please see appendix for definition of Adjusted EBITDA.



Modest leverage and expected future dropdown proceeds provides flexibility to pursue growth and return cash



- Significant “dry powder” retained for future dropdowns
- Transition to pure-play GP will unlock value to SXC shareholders
 - Share repurchase recognizes gap between market and intrinsic value of SXC shares
- \$150M share repurchase approved
 - \$75M via ASR completed by November
 - \$75M open market
- SXCP can fund acquisitions directly via access to debt & equity markets

Transitioning to Pure-Play GP



Executing Dropdown Plan

- Expected proceeds and debt capacity provides flexibility to pursue growth and return capital
- Anticipating GP/LP cash flow growth



Exiting Coal

- Sale highlights value of continuing operations



Returning Cash to Shareholders

- Approved share repurchase program of \$150M

QUESTIONS



SunCoke EnergyTM



Investor Relations:
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APPENDIX



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Definitions



- **Adjusted EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for asset and goodwill impairment, 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 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.
- **EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization.
- **Adjusted EBITDA attributable to SXC/SXCP** equals Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests.
- **Adjusted EBITDA/Ton** represents Adjusted EBITDA divided by tons sold.

Reconciliation from Net Income to Adjusted EBITDA



<i>\$ in millions</i>	<u>Q2 2014</u>	<u>Q1 2014</u>	<u>FY 2013</u>	<u>Q4 2013</u>	<u>Q3 2013</u>	<u>Q2 2013</u>	<u>Q1 2013</u>
Net Income	(48.6)	(3.8)	50.1	18.7	12.3	12.7	6.4
Add: Depreciation, depletion and amortization	28.6	29.0	96.0	25.5	23.2	23.4	23.9
Add: Interest expense, net	27.1	12.1	52.3	12.3	12.1	12.1	15.8
Add: Income tax	(50.8)	(4.2)	6.7	0.2	0.6	1.1	4.8
Add: Goodwill and asset impairment	103.1						
EBITDA	59.4	33.1	205.1	56.7	48.2	49.3	50.9
Add: Sales discount	-	(0.5)	6.8	1.1	2.2	2.1	1.4
Add: Adjustment to unconsolidated affiliate earnings	1.1	1.0	3.2	1.9	0.3	1.0	-
Adjusted EBITDA	60.5	33.6	215.1	59.7	50.7	52.4	52.3
Adjusted EBITDA attributable to noncontrolling interests	(14.5)	(9.3)	(41.2)	(12.2)	(9.9)	(10.7)	(8.4)
Adjusted EBITDA attributable to SXC	46.0	24.3	173.9	47.5	40.8	41.7	43.9

Reconciliation of Segment Adjusted EBITDA and Adjusted EBITDA per ton



<i>\$ in millions, except per ton data</i>	Domestic Coke	Brazil Coke	India Coke ⁽¹⁾	Coal Mining	Coal Logistics	Corporate	Combined
Q2 2014							
Adjusted EBITDA	64.3	2.5	(0.5)	(1.2)	5.0	(9.6)	60.5
Sales Volume (thousands of tons)	1,059	413	42	419	5,605		
Adjusted EBITDA per Ton	60.72	6.05	(11.90)	(2.86)	0.89		
Q1 2014							
Adjusted EBITDA	46.8	1.7	0.1	(8.0)	2.1	(9.1)	33.6
Sales Volume (thousands of tons)	948	252	60	398	4,359		
Adjusted EBITDA per Ton	49.37	6.75	1.67	(20.10)	0.48		
FY 2013							
Adjusted EBITDA	243.2	16.1	0.9	(18.7)	4.7	(31.1)	215.1
Sales Volume (thousands of tons)	4,263	876	62	1,652	3,785		
Adjusted EBITDA per Ton	57.05	18.38	14.52	(11.32)	1.24		
Q4 2013							
Adjusted EBITDA	56.5	11.4	2.2	(8.9)	4.0	(5.5)	59.7
Sales Volume (thousands of tons)	1,047	222	26	389	3,649		
Adjusted EBITDA per Ton	53.96	51.35	84.62	(22.88)	1.10		
Q3 2013							
Adjusted EBITDA	64.3	1.5	(2.1)	(2.6)	0.7	(11.1)	50.7
Sales Volume (thousands of tons)	1,084	221	23	433	136		
Adjusted EBITDA per Ton	59.32	6.79	(91.30)	(6.00)	5.15		
Q2 2013							
Adjusted EBITDA	61.3	1.6	0.8	(2.6)	N/A	(8.7)	52.4
Sales Volume (thousands of tons)	1,074	217	13	457	N/A		
Adjusted EBITDA per Ton	57.08	7.37	61.54	(5.69)	N/A		

(1) Represents SunCoke's 49% share in Visa SunCoke production and results.

2014E Consolidated Adj. EBITDA Reconciliation



(in millions)	2014E Low	2014E High
Net Income	(\$30)	(\$10)
Depreciation, depletion and amortization ⁽¹⁾	115	105
Interest expense, net	68	65
Income tax expense (benefit)	(39)	(29)
EBITDA	\$114	\$131
Sales discounts	(1)	(1)
Adjustment to unconsolidated affiliate earnings ⁽²⁾	4	7
Goodwill and asset impairment charges	103	103
Adjusted EBITDA	\$220	\$240
EBITDA attributable to noncontrolling interests ⁽³⁾	(60)	(63)
Adjusted EBITDA attributable to SXC	\$160	\$177

(1) Excludes depreciation, depletion and amortization on coal mining segment for 2H 2014.

(2) Represents SXC share of India JV interest, taxes and depreciation expense.

(3) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.

2014E Adj. EBITDA Reconciliation (Continuing Operations)



Continuing Operations *(excluding Coal Mining Segment)*

(in millions)	2014E Low	2014E High
Net Income	\$49	\$69
Depreciation, depletion and amortization ⁽¹⁾	100	95
Interest expense, net	68	65
Income tax expense (benefit)	15	20
EBITDA	\$232	\$249
Sales discounts	(1)	(1)
Adjustment to unconsolidated affiliate earnings ⁽²⁾	4	7
Adjusted EBITDA	\$235	\$255
EBITDA attributable to noncontrolling interests ⁽³⁾	(60)	(63)
Adjusted EBITDA attributable to SXC	\$175	\$192

(1) Excludes depreciation, depletion and amortization in coal mining segment for FY 2014.

(2) Represents SXC share of India JV interest, taxes and depreciation expense.

(3) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.

Capital Expenditures & Investments



Consolidated Capex

(\$ in millions)	2014E ⁽¹⁾
On-Going ⁽²⁾	\$71
Environmental Project	\$42
Indiana Harbor Refurbishment	\$25
Total CapEx	\$138
Investments	-
Total CapEx & Investments	\$138

(1) Does not include spending to initiate construction of potential new coke plant (~\$16M).

(2) Includes \$16M in ongoing coal, \$3M in ongoing coal logistics and \$49M in ongoing coke capex including \$14M related to Indiana Harbor oven floor and sole flue replacement work.