Koppers Holdings Inc.
Form 10-Q
August 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

Commission file number 1-32737

KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	20-1878963
(State of incorporation)	(IRS Employer Identification No.)

436 Seventh Avenue

Pittsburgh, Pennsylvania 15219

(Address of principal executive offices)

(412) 227-2001

(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. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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” and “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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 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 Exchange Act). Yes No

Common Stock, par value $0.01 per share, outstanding at July 31, 2017 amounted to 20,745,461 shares.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions, except per share amounts)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	$378.0	$ 385.1	$724.6	$ 731.9
Cost of sales (excluding items below)	294.7	303.8	570.0	592.3
Depreciation and amortization	11.7	13.1	22.9	28.2
Impairment and restructuring charges	2.1	6.0	3.6	11.1
Selling, general and administrative expenses	31.9	30.2	62.9	60.5
Operating profit	37.6	32.0	65.2	39.8
Other income	0.7	0.4	2.7	2.0
Interest expense	10.8	14.3	21.4	26.6
Loss on extinguishment of debt	0.0	0.0	13.3	0.0
Income before income taxes	27.5	18.1	33.2	15.2
Income tax provision	6.6	6.8	7.6	6.3
Income from continuing operations	20.9	11.3	25.6	8.9
(Loss) income from discontinued operations, net of tax benefit (expense) of $0.6, $0.0, $0.6 and $(0.4)	(1.1)	0.0	(1.2)	0.6
Net income	19.8	11.3	24.4	9.5
Net income (loss) attributable to noncontrolling interests	0.1	(0.8)	0.3	(1.3)
Net income attributable to Koppers	$19.7	$ 12.1	$24.1	$ 10.8
Earnings (loss) per common share attributable to Koppers common shareholders:				
Basic -				
Continuing operations	$1.00	$ 0.58	$1.22	$ 0.49
Discontinued operations	(0.06)	0.00	(0.06)	0.03
Earnings per basic common share	$0.94	$ 0.58	$1.16	$ 0.52
Diluted -				
Continuing operations	$0.95	$ 0.57	$1.15	$ 0.49
Discontinued operations	(0.05)	0.00	(0.06)	0.03
Earnings per diluted common share	$0.90	$ 0.57	$1.09	$ 0.52
Comprehensive income	$24.7	$ 9.9	$36.9	$ 17.3
Comprehensive income (loss) attributable to noncontrolling interests	0.2	(1.0)	0.4	(1.5)
Comprehensive income attributable to Koppers	$24.5	$ 10.9	$36.5	$ 18.8
Weighted average shares outstanding (in thousands):				

Basic	20,782	20,640	20,752	20,611
Diluted	21,883	20,944	21,898	20,798

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in millions, except per share amounts)	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and cash equivalents	$ 40.0	$ 20.8
Accounts receivable, net of allowance of $3.0 and $3.8	180.1	136.8
Income tax receivable	4.5	3.8
Inventories, net	229.7	228.7
Loan to related party	0.0	8.9
Other current assets	46.7	39.1
Total current assets	501.0	438.1
Property, plant and equipment, net	303.4	280.8
Goodwill	187.9	186.4
Intangible assets, net	136.2	141.9
Deferred tax assets	26.7	27.1
Other assets	13.2	13.2
Total assets	$ 1,168.4	$ 1,087.5
Liabilities		
Accounts payable	$ 148.4	$ 144.2
Accrued liabilities	116.4	106.3
Current maturities of long-term debt	12.5	42.6
Total current liabilities	277.3	293.1
Long-term debt	680.4	619.8
Accrued postretirement benefits	50.4	51.6
Deferred tax liabilities	6.7	6.3
Other long-term liabilities	80.1	82.1
Total liabilities	1,094.9	1,052.9
Commitments and contingent liabilities (Note 18)		
Equity		
Senior Convertible Preferred Stock, $0.01 par value per share; 10,000,000 shares authorized; no shares issued	0.0	0.0
Common Stock, $0.01 par value per share; 80,000,000 shares authorized; 22,350,838 and 22,140,680 shares issued	0.2	0.2
Additional paid-in capital	183.7	176.5
Accumulated deficit	(0.8)	(24.7)
Accumulated other comprehensive loss	(56.1)	(68.6)
Treasury stock, at cost, 1,605,377 and 1,475,792 shares	(58.1)	(53.0)
Total Koppers shareholders' equity	68.9	30.4
Noncontrolling interests	4.6	4.2
Total equity	73.5	34.6

Total liabilities and equity	$ 1,168.4	$ 1,087.5

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in millions)	Six Months Ended June 30, 2017 (Unaudited)	2016 (Unaudited)
Cash provided by (used in) operating activities:		
Net income	$24.4	$ 9.5
Adjustments to reconcile net cash provided by (used in) operating activities:		
Depreciation and amortization	22.9	28.2
Loss on extinguishment of debt	13.3	0.0
Gain on disposal of investment	(1.4)	0.0
Deferred income taxes	0.2	0.3
Equity loss, net of dividends received	0.0	0.7
Change in other liabilities	(6.7)	(5.2)
Non-cash interest expense	1.0	3.9
Stock-based compensation	5.0	3.4
Other - net	0.0	2.8
Changes in working capital:		
Accounts receivable	(39.2)	(19.5)
Inventories	4.6	6.0
Accounts payable	1.8	4.8
Accrued liabilities	8.3	3.3
Other working capital	(2.9)	(3.9)
Net cash provided by operating activities	31.3	34.3
Cash (used in) provided by investing activities:		
Capital expenditures	(34.2)	(21.3)
Repayments of loan	9.5	0.0
Net cash provided by divestitures and asset sales	0.8	0.6
Net cash used in investing activities	(23.9)	(20.7)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	523.3	290.3
Repayments of revolving credit	(455.9)	(288.2)
Borrowings of long-term debt	500.0	0.0
Repayments of long-term debt	(541.4)	(15.0)
Issuances of Common Stock	1.9	0.1
Repurchases of Common Stock	(5.2)	(0.3)
Payment of debt issuance costs	(11.0)	(1.4)
Net cash provided by (used in) financing activities	11.7	(14.5)
Effect of exchange rate changes on cash	0.1	(4.5)
Net increase (decrease) in cash and cash equivalents	19.2	(5.4)
Cash and cash equivalents at beginning of period	20.8	21.8
Cash and cash equivalents at end of period	$40.0	$ 16.4

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Holdings Inc.'s and its subsidiaries' ("Koppers", "Koppers Holdings" or the "Company") financial position and interim results as of and for the periods presented have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Because the Company's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet for December 31, 2016 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2016. Certain prior period amounts in the notes to the consolidated financial statements have been reclassified to conform to the current period's presentation.

The financial information included herein should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2016.

2. New Accounting Pronouncements

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" effective January 1, 2017. This ASU makes several modifications related to the accounting for forfeitures of share-based awards, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. The Company elected to account for forfeitures when they occur. The impact of adoption was a decrease to retained earnings of $0.2 million, an increase to deferred tax assets of $0.1 million and an increase to additional paid in capital of $0.3 million.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 requires an entity to recognize revenue in a manner that depicts 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. Subsequent to the issuance of ASU 2014-09, the FASB issued multiple ASUs which either amended or clarified ASU 2014-09. Collectively, the revenue recognition ASUs are effective for annual reporting periods beginning after December 15, 2017 and allow for the use of either the full retrospective or modified retrospective transition method. The Company has decided to use the modified retrospective method for transition in which the cumulative effect will be recognized at the date of adoption with no restatement of comparative periods presented. The Company has a project team that has made substantial progress in analyzing significant contracts with customers across all major business units to determine the impact of the adoption of the ASUs on the Company's financial statements and disclosures. The Company will continue to assess the impact the ASU updates will have on its revenue arrangements with a final evaluation of the impact of adopting these ASU updates expected to be completed during the third quarter of 2017.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU 2016-02 requires an entity to recognize a right-of-use asset and lease liability for all leases with terms of more than one year. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The standard is effective January 1, 2019 and early adoption is permitted. The guidance requires a modified retrospective adoption. The Company is currently evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The update clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flow. The amendments in this update are effective for periods beginning after December 15, 2017. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

3. Plant Closures and Divestitures

Over the past three years, the Company has been restructuring its Carbon Materials and Chemicals ("CMC") business unit in order to concentrate its facilities in regions where the Company believes it holds key competitive advantages to better serve its global customers. These closure activities include:

- In January 2017, the Company entered into an agreement to lease its Follansbee, West Virginia coal tar distillation facility to a third party. It is anticipated that the Company will cease naphthalene refining activities at the facility within the next nine to 12 months upon commissioning of a new naphthalene refining plant in Stickney, Illinois.

- In November 2016, the Company sold its 30-percent interest in Tangshan Kailuan Koppers Carbon Chemical Company Limited (“TKK”) located in the Hebei Province in China.
- In July 2016, the Company discontinued coal tar distillation activities at its CMC plant located in Clairton, Pennsylvania.
- In March 2016, the Company discontinued production at its 60-percent owned CMC plant located in Tangshan, China.
- In February 2016, the Company announced plans to cease coal tar distillation and specialty pitch operations at both of its United Kingdom CMC facilities. In July 2016, the Company sold substantially all of its CMC tar distillation properties and assets in the United Kingdom. In exchange, the Company transferred cash to the buyer and the buyer assumed historical environmental and asset retirement obligations.
- In April 2014, the Company ceased its coal tar distillation activities at its CMC facility located in Uithoorn, the Netherlands.
- In 2011, the Company ceased carbon black production at its CMC facility located in Kurnell, Australia.

Other closure and divestiture activity relates to the Company’s Railroad Utility Products and Services (“RUPS”) business unit. These actions include:

- In October 2016, the Company agreed to a long-term lease of its wood treatment facility in Houston, Texas to a third party. The facility, owned by the Company’s wholly-owned subsidiary, Wood Protection L.P., was engaged in the manufacturing and sale of pressure-treated dimensional lumber.
- In August 2015, the Company closed its RUPS plant located in Green Spring, West Virginia.
- In July 2015, the Company sold the assets of its 50-percent interest in KSA Limited Partnership, a concrete crosstie manufacturer.
- In January 2015, Koppers Inc. sold its RUPS North American utility pole business.

Details of the restructuring activities and related reserves are as follows:

(Dollars in millions)	Severance and employee benefits	Environmental remediation	Site demolition	Other	Total
Reserve at December 31, 2015	$ 2.0	$ 4.3	$ 21.9	$ 0.0	$ 28.2
Accrual	2.4	0.1	5.6	5.6	13.7
Cost charged against assets	0.0	0.0	0.0	(1.9)	(1.9)
Reversal of accrued charges	(1.9)	(0.5)	(8.7)	(0.1)	(11.2)
Cash paid	(1.0)	(2.4)	(8.1)	(0.2)	(11.7)
Currency translation	(0.1)	0.0	(0.7)	(0.2)	(1.0)
Reserve at December 31, 2016	$ 1.4	$ 1.5	$ 10.0	$ 3.2	$ 16.1
Accrual	0.1	2.1	0.0	3.5	5.7
Cost charged against assets	0.0	0.0	0.0	(3.2)	(3.2)
Reversal of accrued charges	(0.1)	0.0	(0.3)	0.0	(0.4)
Cash paid	(0.1)	(0.7)	(0.9)	(0.3)	(2.0)
Currency translation	0.0	0.1	0.0	0.0	0.1
Reserve at June 30, 2017	$ 1.3	$ 3.0	$ 8.8	$ 3.2	$ 16.3

4. Related Party Transactions

As of December 31, 2016 the Company had loaned $10.0 million, gross of accumulated equity losses of $1.1 million, to TKK, including interest. The Company had a 30-percent interest in TKK until its sale to TKK's controlling shareholder in November 2016. The loan and interest has been fully repaid and the Company recorded a gain of $1.3 million in the six months ended June 30, 2017.

5. Fair Value Measurements

Carrying amounts and the related estimated fair values of the Company’s financial instruments as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
(Dollars in millions)				
Financial assets:				
Cash and cash equivalents, including restricted cash	$40.0	$ 40.0	$20.8	$ 20.8
Investments and other assets[(a)]	1.1	1.1	1.1	1.1
Financial liabilities:				
Long-term debt (including current portion)	$722.9	$ 692.9	$669.6	$ 662.4

(a) Excludes equity method investments.

Cash and cash equivalents – The carrying amount approximates fair value because of the short maturity of those instruments.

Investments and other assets – Represents the broker-quoted cash surrender value on universal life insurance policies. This asset is classified as Level 2 in the valuation hierarchy and is measured from values received from financial institutions.

Debt – The fair value of the Company’s long-term debt is estimated based on the market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (Level 2). The fair value of the Company’s revolving credit facility approximates carrying value due to the variable rate nature of this instrument.

6. Comprehensive Income and Equity (Deficit)

Total comprehensive income for the three and six months ended June 30, 2017 and 2016 is summarized in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions)				
Net income	$19.8	$11.3	$24.4	$9.5

Other comprehensive income:				
Change in currency translation adjustment	4.9	(3.0)	10.9	3.4
Unrealized (losses) gains on cash flow hedges, net of tax (benefit) expense of $(0.3), $0.9, $0.6 and $2.5	(0.4)	1.3	0.9	3.7
Change in unrecognized pension net loss, net of tax expense of $0.2, $0.1, $0.4 and $0.3	0.4	0.3	0.7	0.7
Total comprehensive income	24.7	9.9	36.9	17.3
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.2	(1.0)	0.4	(1.5)
Comprehensive income attributable to Koppers	$24.5	$10.9	$36.5	$18.8

Amounts reclassified from accumulated other comprehensive loss to net income consist of amounts shown for changes in unrecognized pension net loss and unrecognized prior service cost. These components of accumulated other comprehensive income are included in the computation of net periodic pension cost as disclosed in Note 13 – Pensions and Postretirement Benefit Plans. Other amounts reclassified from accumulated other comprehensive income include income related to derivative financial instruments, net of tax, of $1.3 million and $2.6 million for the three and six months ended June 30, 2017, respectively, and losses of $1.7 million and $3.2 million for the three and six months ended June 30, 2016, respectively.

The following tables present the change in equity (deficit) for the six months ended June 30, 2017 and 2016, respectively:

(Dollars in millions)	Total Koppers Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	$ 30.4	$ 4.2	$ 34.6
Net income	24.1	0.3	24.4
Issuance of common stock	1.9	0.0	1.9
Employee stock plans	5.3	0.0	5.3
Other comprehensive income	12.4	0.1	12.5
Repurchases of common stock	(5.2)	0.0	(5.2)
Balance at June 30, 2017	$ 68.9	$ 4.6	$ 73.5

(Dollars in millions)	Total Koppers Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
Balance at December 31, 2015	$ (18.5)	$ 6.1	$ (12.4)
Net income (loss)	10.8	(1.3)	9.5
Employee stock plans	3.4	0.0	3.4
Other comprehensive income (loss)	8.0	(0.2)	7.8
Repurchases of common stock	(0.3)	0.0	(0.3)
Balance at June 30, 2016	$ 3.4	$ 4.6	$ 8.0

7. Earnings per Common Share

The computation of basic earnings per common share for the periods presented is based upon the weighted average number of common shares outstanding during the periods. The computation of diluted earnings per common share includes the effect of non-vested nonqualified stock options and restricted stock units assuming such options and stock units were outstanding common shares at the beginning of the period. The effect of antidilutive securities is excluded from the computation of diluted loss per common share, if any.

The following table sets forth the computation of basic and diluted earnings per common share:

(Dollars in millions, except share amounts, in thousands, and per share amounts)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income attributable to Koppers	$19.7	$12.1	$24.1	$10.8
Less: (Loss) income from discontinued operations	(1.1)	0.0	(1.2)	0.6
Income from continuing operations attributable to Koppers	$20.8	$12.1	$25.3	$10.2
Weighted average common shares outstanding:				
Basic	20,782	20,640	20,752	20,611
Effect of dilutive securities	1,101	304	1,146	187
Diluted	21,883	20,944	21,898	20,798
Income per common share – continuing operations:				
Basic income per common share	$1.00	$0.58	$1.22	$0.49
Diluted income per common share	0.95	0.57	1.15	0.49
Other data:				
Antidilutive securities excluded from computation of diluted earnings per common share	509	424	344	572

8. Stock-based Compensation

The amended and restated 2005 Long-Term Incentive Plan (the "LTIP") provides for the grant to eligible persons of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance awards, dividend equivalents and other stock-based awards, which are collectively referred to as the awards.

Restricted Stock Units and Performance Stock Units

Under the LTIP, the board of directors grants restricted stock units and performance stock units to certain employee participants (collectively, the "stock units"). For grants to most employees in 2015 and thereafter, the restricted stock units vest in four equal annual installments. Restricted stock units that have one-year vesting periods are also issued under the LTIP to members of the board of directors in connection with annual director compensation and, from time to time, are issued to employees in connection with employee compensation with vesting periods of two years or less typically.

Compensation expense for non-vested stock units is recorded over the vesting period based on the fair value at the date of grant. The fair value of restricted stock units and performance stock units with a performance condition is the market price of the underlying common stock on the date of grant.

Performance stock units granted prior to 2016 have vesting based upon a performance condition. These performance stock units generally have three-year performance objectives and all performance stock units have a three-year period for vesting (if the applicable performance objective is achieved). For awards granted prior to 2016, the applicable performance objective is based upon a multi-year cumulative value creation calculation that considers the Company's financial performance commencing on the first day of each grant year. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 200 percent (depending on the grant date) of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest. Performance stock units granted in 2014 did not meet the value creation threshold and were forfeited in February 2017.

Performance stock units granted in 2016 and 2017 have vesting based upon a market condition. These performance stock units have a three-year performance objective and a three-year period for vesting (if the applicable performance objective is achieved). The applicable performance objective is based on the Company's total shareholder return relative to the Standard & Poors SmallCap 600 Materials Index. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 200 percent of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest. The Company has the discretion to settle the award in cash rather than shares, although the Company currently expects that all awards will be settled by the issuance of shares.

Compensation expense for non-vested performance stock units with a market condition is recorded over the vesting period based on the fair value at the date of grant. The Company calculated the fair value of the awards on the date of grant using the Monte Carlo valuation model and the assumptions listed below:

	March 2017 Grant	March 2016 Grant
Grant date price per share of performance award	$ 44.10	$18.11
Expected dividend yield per share	0.00 %	0.00 %
Expected volatility	43.50 %	40.86 %
Risk-free interest rate	1.54 %	0.96 %
Look-back period in years	2.83	2.84
Grant date fair value per share of performance award	$ 64.02	$23.70

Dividends declared, if any, on the Company's common stock during the period prior to vesting of the stock units are credited at equivalent value as additional stock units and become payable as additional common shares upon vesting. In the event of termination of employment, other than retirement, death or disability, any non-vested stock units are forfeited, including additional stock units credited from dividends. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the stock units over the service period will result. There are special vesting provisions for the stock units related to a change in control.

The following table shows a summary of the performance stock units as of June 30, 2017:

Performance Period	Minimum Shares	Target Shares	Maximum Shares
2015 – 2017	0	203,953	407,906
2016 – 2018	0	260,588	521,176
2017 – 2019	0	117,010	234,020

The following table shows a summary of the status and activity of non-vested stock units for the six months ended June 30, 2017:

	Restricted Stock Units	Performance Stock Units	Total Stock Units	Weighted Average Grant Date Fair Value per Unit
Non-vested at December 31, 2016	279,807	554,388	834,195	$ 23.09
Granted	82,279	117,010	199,289	$ 55.32
Vested	(127,443)	0	(127,443)	$ 24.90
Forfeited	(138)	(89,847)	(89,985)	$ 37.80
Non-vested at June 30, 2017	234,505	581,551	816,056	$ 29.06

Stock Options

Prior to 2015, stock options to most executive officers vest and become exercisable upon the completion of a three-year service period commencing on the grant date. For grants in 2015 and thereafter, the stock options vest in four equal annual installments. The stock options have a term of ten years. In the event of termination of employment, other than retirement, death or disability, any non-vested options are forfeited. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the options over the service period will result. There are special vesting provisions for the stock options related to a change in control.

Compensation expense for non-vested stock options is recorded over the vesting period based on the fair value at the date of grant. The Company calculated the fair value of stock options on the date of grant using the Black-Scholes-Merton model and the assumptions listed below:

	March 2017 Grant	March 2016 Grant	March 2015 Grant
Grant date price per share of stock option award	$ 44.10	$ 18.11	$ 17.57
Expected dividend yield per share	0.00 %	0.00 %	3.40 %
Expected life in years	5.77	5.96	5.75
Expected volatility	39.70 %	40.86 %	42.27 %
Risk-free interest rate	2.13 %	1.45 %	1.73 %
Grant date fair value per share of option award	$ 17.90	$ 7.41	$ 5.20

The dividend yield is based on the Company’s current and prospective dividend rate which calculates a continuous dividend yield based upon the market price of the underlying common stock. The Company suspended its dividend in February 2015 and does not expect to declare any dividends for the foreseeable future. The expected life in years is based on historical exercise data of options previously granted by the Company. Expected volatility is based on the historical volatility of the Company’s common stock and the historical volatility of certain other similar public companies. The risk-free interest rate is based on U.S. Treasury bill rates for the expected life of the option.

The following table shows a summary of the status and activity of stock options for the six months ended June 30, 2017:

	Options	Weighted Average Exercise Price per Option	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2016	935,454	$ 26.09		
Granted	97,403	$ 44.10		
Exercised	(69,365)	$ 27.52		
Outstanding at June 30, 2017	963,492	$ 27.81	6.58	$ 10.2
Exercisable at June 30, 2017	551,717	$ 30.62	5.13	$ 4.3

Stock Compensation Expense

Total stock-based compensation expense recognized for three and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions)				
Stock-based compensation expense recognized:				
Selling, general and administrative expenses	$2.7	$2.3	$5.0	$3.4
Less related income tax benefit	0.7	1.0	1.2	1.4
	$2.0	$1.3	$3.8	$2.0

As of June 30, 2017, total future gross compensation expense related to non-vested stock-based compensation arrangements, which are expected to vest, totaled $19.9 million and the weighted-average period over which this cost is expected to be recognized is approximately 29 months.

9. Segment Information

The Company has three reportable segments: Railroad and Utility Products and Services, Performance Chemicals and Carbon Materials and Chemicals. The Company’s reportable segments contain multiple aggregated business units since management believes the long-term financial performance of these business units is affected by similar economic conditions. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes.

The Company’s Railroad and Utility Products and Services segment sells treated and untreated wood products, manufactured products and services primarily to the railroad and public utility markets. Railroad products and services include procuring and treating items such as crossties, switch ties and various types of lumber used for railroad bridges and crossings and the manufacture of rail joint bars. The segment also operates a railroad services business that conducts engineering, design, repair and inspection services for railroad bridges. Utility products include the treating of transmission and distribution poles and pilings.

The Company’s Performance Chemicals segment develops, manufactures, and markets wood preservation chemicals and wood treatment technologies and services a diverse range of end-markets including infrastructure, residential and commercial construction, and agriculture.

The Company’s Carbon Materials and Chemicals segment is primarily a manufacturer of creosote, carbon pitch, naphthalene, phthalic anhydride and carbon black feedstock. Creosote is used in the treatment of wood and carbon black feedstock is used in the production of carbon black. Carbon pitch is a critical raw material used in the production of aluminum and for the production of steel in electric arc furnaces. Naphthalene is used for the production of phthalic anhydride and as a surfactant in the production of concrete. Phthalic anhydride is used in the production of plasticizers, polyester resins and alkyd paints.

The Company evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating profit or loss from operations. Operating profit does not include equity in earnings of affiliates, other income, interest expense, income taxes or operating costs of Koppers Holdings Inc. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation.

The following table sets forth certain sales and operating data, net of all intersegment transactions, for the Company’s segments for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions)				

Revenues from external customers:				
Railroad and Utility Products and Services	$135.9	$164.4	$271.4	$315.8
Performance Chemicals	111.8	108.4	208.5	196.4
Carbon Materials and Chemicals	130.3	112.3	244.7	219.7
Total	$378.0	$385.1	$724.6	$731.9
Intersegment revenues:				
Performance Chemicals	$1.5	$1.9	$3.2	$3.9
Carbon Materials and Chemicals	19.0	21.0	37.9	41.9
Total	$20.5	$22.9	$41.1	$45.8
Depreciation and amortization expense:				
Railroad and Utility Products and Services	$2.9	$3.1	$5.9	$6.3
Performance Chemicals	4.5	4.8	8.9	9.6
Carbon Materials and Chemicals	4.3	5.2	8.1	12.3
Total	$11.7	$13.1	$22.9	$28.2
Operating profit (loss):				
Railroad and Utility Products and Services	$11.0	$18.5	$20.0	$32.0
Performance Chemicals	19.6	22.4	38.2	35.0
Carbon Materials and Chemicals	7.8	(8.3)	8.2	(25.9)
Corporate[(a)]	(0.8)	(0.6)	(1.2)	(1.3)
Total	$37.6	$32.0	$65.2	$39.8

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(a) Operating loss for Corporate includes primarily general and administrative costs for Koppers Holdings Inc., the parent company of Koppers Inc.

The following table sets forth certain tangible and intangible assets allocated to each of the Company's segments as of the dates indicated:

(Dollars in millions)	June 30, 2017	December 31, 2016
Segment assets:		
Railroad and Utility Products and Services	$260.2	$ 264.2
Performance Chemicals	489.7	442.9
Carbon Materials and Chemicals	371.2	333.0
All other	47.3	47.4
Total	$1,168.4	$ 1,087.5
Goodwill:		
Railroad and Utility Products and Services	$10.4	$ 9.9
Performance Chemicals	177.5	176.5
Total	$187.9	$ 186.4

10. Income Taxes

Effective Tax Rate

The income tax provision for interim periods is comprised of an estimated annual effective income tax rate applied to current year ordinary income and tax associated with discrete items. These discrete items generally relate to adjustments to uncertain tax positions and changes of estimated tax to the actual liability determined upon filing tax returns. To determine the annual effective tax rate, management is required to make estimates of annual pretax income in each domestic and foreign jurisdiction in which the Company conducts business. Entities that have historical pre-tax losses and current year estimated pre-tax losses that are not projected to generate a future benefit are excluded from the estimated annual effective income tax rate.

The estimated annual effective income tax rate, excluding discrete items discussed above, was 24.6 percent and 31.1 percent for the six months ended June 30, 2017 and 2016, respectively. The estimated annual effective income tax rate differs from the U.S. federal statutory tax rate due to:

	June 30, 2017	June 30, 2016
Federal income tax rate	35.0 %	35.0 %

State income taxes, net of federal tax benefit	2.1	1.6
Foreign earnings taxed at different rates	(15.7)	(6.5)
Change in tax contingency reserves	0.3	0.5
Nondeductible expenses	2.1	0.9
Tax credits	(0.3)	(0.4)
Other	1.1	0.0
Estimated annual effective income tax rate	24.6 %	31.1 %

Income taxes as a percentage of pretax income were 24.0 percent and 37.6 percent for the three months ended June 30, 2017 and 2016, respectively, principally because the estimated annual effective income tax rate is applied to pre-tax earnings excluding the results of our Chinese subsidiaries that are not expected to generate a future tax benefit. These results are excluded from the determination of the annual effective income tax rate as discussed above. Discrete items included in income taxes for the three months ended June 30, 2017 and 2016, respectively, were not material.

Income taxes as a percentage of pretax income were 22.9 percent for the six months ended June 30, 2017. This is lower than the estimated annual effective tax rate principally due to discrete items, but also because the estimated annual effective income tax rate is applied to pre-tax earnings excluding the results of our Chinese subsidiaries that are not expected to generate a future tax benefit. Discrete items included in income taxes for the six months ended June 30, 2017 were a net benefit of $0.3 million, which includes excess tax benefits for stock-based compensation of $0.9 million offset by additional accruals for uncertain tax positions of $0.6 million.

Income taxes as a percentage of pretax income were 41.4 percent for the six months ended June 30, 2016. This is higher than the estimated annual effective tax rate principally because the estimated annual effective income tax rate is applied to pre-tax earnings excluding the results of our Chinese subsidiaries that are not expected to generate a future tax benefit. Discrete items included in income taxes for the six months ended June 30, 2016 were not material.

During the year, management regularly updates estimates of pre-tax income and income tax expense based on changes in pre-tax income projections by taxable jurisdiction, repatriation of foreign earnings, uncertain tax positions and other tax matters. To the extent that actual results vary from these estimates, the actual annual effective income tax rate at the end of the year could be materially different from the estimated annual effective income tax rate as of the end of the second quarter.

Uncertain Tax Positions

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2012.

Unrecognized tax benefits totaled $7.0 million and $9.7 million as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017 and December 31, 2016, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately $3.0 million and $5.7 million, respectively. The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of June 30, 2017 and December 31, 2016, the Company had accrued approximately $3.4 million and $4.2 million for interest and penalties, respectively.

Unrecognized tax benefits decreased in the first six months of 2017 principally due to the settlement related to a transfer pricing matter. The Company does not anticipate significant increases or decreases to the amount of unrecognized tax benefits within the next twelve months.

11. Inventories

Net inventories as of June 30, 2017 and December 31, 2016 are summarized in the table below:

	June 30, 2017	December 31, 2016
(Dollars in millions)		
Raw materials	$ 161.7	$ 157.7
Work in process	11.3	14.2
Finished goods	102.3	103.6
	$ 275.3	$ 275.5
Less revaluation to LIFO	45.6	46.8
Net	$ 229.7	$ 228.7

12. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2017 and December 31, 2016 are summarized in the table below:

(Dollars in millions)	June 30, 2017	December 31, 2016
Land	$ 17.5	$ 17.0
Buildings	59.9	58.2
Machinery and equipment	730.7	716.0
	$ 808.1	$ 791.2
Less accumulated depreciation	504.7	510.4
Net	$ 303.4	$ 280.8

Impairments – There were no impairment charges incurred for the six months ended June 30, 2017 and 2016.

13. Pensions and Postretirement Benefit Plans

The Company and its subsidiaries maintain a number of defined benefit and defined contribution plans to provide retirement benefits for employees in the U.S., as well as employees outside the U.S. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 (“ERISA”), local statutory law or as determined by the board of directors. The defined benefit pension plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for three domestic non-qualified defined benefit pension plans for certain key executives.

In the U.S., all qualified defined benefit pension plans for salaried and hourly employees have been closed to new participants and have been frozen. Accordingly, these pension plans no longer accrue additional years of service or recognize future increases in compensation for benefit purposes.

The defined contribution plans generally provide retirement assets to employee participants based upon employer and employee contributions to the participant's individual investment account. The Company also provides retiree medical insurance coverage to certain U.S. employees and a life insurance benefit to most U.S. employees. For salaried employees, the retiree medical and retiree insurance plans have been closed to new participants.

On July 31, 2017, the Company completed an irrevocable transaction with an insurance company to annuitize approximately $31 million of retiree pension obligations in its U.S. qualified defined benefit pension plan for a selected group of retirees. The transaction was funded by transferring a similar amount of assets from the pension plan to the insurance company. Subsequent to this transfer, the insurance company has assumed all remaining pension obligations associated with these retirees. This represents approximately 20 percent of the plan's discounted pension obligation as of that date and the Company will record a settlement charge of approximately $8 million in the third quarter of 2017.

The following table provides the components of net periodic benefit cost for the pension plans and other benefit plans for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions)				
Service cost	$0.5	$0.4	$1.0	$0.9
Interest cost	2.5	2.8	4.9	5.6
Expected return on plan assets	(2.5)	(2.6)	(5.0)	(5.3)
Amortization of net loss	0.5	0.6	1.0	1.2
Net periodic benefit cost	$1.0	$1.2	$1.9	$2.4
Defined contribution plan expense	$1.8	$1.7	$4.0	$3.8

14. Debt

Debt at June 30, 2017 and December 31, 2016 was as follows:

	Weighted Average Interest Rate	Maturity	June 30, 2017	December 31, 2016
(Dollars in millions)				

Term Loan				$ 0.0	$ 232.5
Revolving Credit Facility	3.94	%	2022	168.1	100.1
Construction and other loans	4.71	%	2020	37.5	40.4
Senior Notes due 2025	6.00	%	2025	500.0	0.0
Senior Notes due 2019				0.0	298.1
Debt				705.6	671.1
Less short term debt and current maturities of long-term debt				12.5	42.6
Less unamortized debt issuance costs				12.7	8.7
Long-term debt				$ 680.4	$ 619.8

Senior Notes due 2025

In January 2017, Koppers Inc. completed a private placement offering of $500.0 million 6.00 percent Senior Notes due 2025 (the "2025 Notes"). Koppers Inc. used the proceeds from the offering of the 2025 Notes to repay its outstanding term loan and to fund a tender offer to repurchase its senior notes due 2019.

The 2025 Notes are our senior obligations, are unsecured and are guaranteed by Koppers Holdings Inc. and certain of Koppers Inc.'s domestic subsidiaries. The 2025 Notes pay interest semi-annually in arrears on February 15 and August 15 beginning on August 15, 2017 and will mature on February 15, 2025 unless earlier redeemed or repurchased. On or after February 15, 2020, the Company is entitled to redeem all or a portion of the 2025 Senior Notes at a redemption price of 104.5 percent of principal value, declining to a redemption price of 101.5 percent on or after February 15, 2022 until the redemption price is equivalent to the principal value on February 15, 2023.

The indenture governing the 2025 Senior Notes includes customary covenants that restrict, among other things, the ability of Koppers Inc. and its restricted subsidiaries to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of the assets of Koppers Inc. or its subsidiaries or enter into various transactions with affiliates.

Revolving Credit Facility

In February 2017, the Company entered into a new $400.0 million senior secured revolving credit facility (“the Revolving Credit Facility”). The maturity date is February 2022 and the interest rate is variable and is based on LIBOR.

Borrowings under the Revolving Credit Facility are secured by a first priority lien on substantially all of the assets of Koppers Inc., Koppers Holdings and their material domestic subsidiaries. The Revolving Credit Facility contains certain covenants for Koppers Inc. and its restricted subsidiaries that limit capital expenditures, additional indebtedness, liens, dividends, investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. and its restricted subsidiaries to meet certain financial ratios.

As of June 30, 2017, the Company had $187.3 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments and other covenants. As of June 30, 2017, $44.6 million of commitments were utilized by outstanding letters of credit.

Loss on Extinguishment of Debt

In February 2017, all of the outstanding Koppers Inc. senior notes due 2019 were repurchased at a premium to carrying value and accordingly, the Company realized a loss on extinguishment of debt totaling $10.0 million consisting of $7.3 million for bond premium and bond tender expenses and $2.7 million for the writeoff of unamortized debt issuance costs.

In February 2017, Koppers Inc. repaid its term loan in full and entered into the Revolving Credit Facility. Accordingly, the Company realized a loss of $3.3 million for the writeoff of unamortized debt issuance costs.

Construction Loans

The Company’s 75-percent owned subsidiary, Koppers (Jiangsu) Carbon Chemical Company Limited (“KJCC”) entered into two committed loan facility agreements for a combined commitment of RMB 265 million or approximately $44 million. The third party bank provided facility has a commitment amount of RMB 198.8 million and the other committed facility of RMB 66.2 million is provided by the 25-percent non-controlling shareholder in KJCC. Borrowings under the third party bank facility are secured by a letter of credit issued by a bank under the Revolving Credit Facility. KJCC will repay the construction loan portion of the third party commitment in six installments every six months starting in June 2018 with a final repayment on December 21, 2020, the maturity date of the loans.

15. Asset Retirement Obligations

The Company recognizes asset retirement obligations for the removal and disposal of residues; dismantling of certain tanks required by governmental authorities; cleaning and dismantling costs for owned rail cars; cleaning costs for leased rail cars and barges; and site demolition, when required by governmental authorities or by contract. The following table reflects changes in the carrying values of asset retirement obligations:

(Dollars in millions)	June 30, 2017	December 31, 2016
Asset retirement obligation at beginning of year	$ 36.0	$ 46.5
Divestiture	0.0	(8.0)
Accretion expense	1.3	7.1
Revision in estimated cash flows	0.8	2.7
Cash expenditures	(5.7)	(11.4)
Currency translation	0.1	(0.9)
Balance at end of period	$ 32.5	$ 36.0

16. Deferred Revenue

The Company defers revenues associated with extended product warranty liabilities based on historical loss experience and sales of extended warranties on certain products. The following table reflects changes in the carrying values of deferred revenue:

(Dollars in millions)	June 30, 2017	December 31, 2016
Balance at beginning of year	$ 27.2	$ 30.1
Revenue earned	(0.4)	(0.8)
Currency translation	0.6	(2.1)
Balance at end of period	$ 27.4	$ 27.2

Deferred revenue classified in other long-term liabilities in the consolidated balance sheet totaled $26.5 million as of June 30, 2017 and $26.2 million as of December 31, 2016 with the remainder classified in accrued liabilities.

17. Derivative Financial Instruments

The Company utilizes derivative instruments to manage exposures to risks that have been identified and measured and are capable of being controlled. The primary risks managed by the company by using derivative instruments are commodity price risk associated with copper and foreign currency exchange risk associated with a number of currencies, principally the U.S. dollar, the Canadian dollar, the New Zealand dollar, the Euro and British pounds. Swap contracts on copper are used to manage the price risk associated with forecasted purchases of materials used in the Company's manufacturing processes. Generally, the Company will not hedge cash flow exposures for durations longer than 36 months and the Company has hedged certain volumes of copper through December 2019. The Company enters into foreign currency forward contracts to manage foreign currency risk associated with the Company's receivable and payable balances and foreign currency denominated sales. Generally, the Company enters into master netting arrangements with the counterparties and offsets net derivative positions with the same counterparties. Currently, the Company's agreements do not require cash collateral.

ASC Topic 815-10, "Derivatives and Hedging," requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. Derivative instruments' fair value is determined using significant other observable inputs, or Level 2 in the fair value hierarchy. In accordance with ASC Topic 815-10, the Company designates certain of its commodity swaps as cash flow hedges of forecasted purchases of commodities and certain of its foreign currency swaps as cash flow hedges of forecasted sales. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and is reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The amount of hedge ineffectiveness charged to profit and loss is reported in the table below.

For those commodity and foreign currency swaps which are not designated as cash flow hedges, the fair value of the swap is recognized as an asset or liability in the consolidated balance sheet and the related gain or loss on the derivative is reported in current earnings.

As of June 30, 2017 and December 31, 2016, the Company has outstanding copper swap contracts of the following amounts:

	Units Outstanding (in Pounds)		Net Fair Value - Asset (Liability)	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
(Amounts in millions)				
Cash flow hedges	32.5	42.6	$13.7	$ 10.6

Not designated as hedges	9.4	6.5	2.0	1.0
Total	41.9	49.1	$ 15.7	$ 11.6

As of June 30, 2017 and December 31, 2016, the fair value of the outstanding copper swap contracts is recorded in the balance sheet as follows:

	June 30, 2017	December 31, 2016
(Dollars in millions)		
Other current assets	$ 15.8	$ 12.5
Accrued liabilities	(0.1)	(0.9)
Net asset on balance sheet	$ 15.7	$ 11.6
Accumulated other comprehensive gain, net of tax	$ 6.9	$ 6.9

Based upon contracts outstanding at June 30, 2017, in the next twelve months the Company estimates that $5.0 million of unrealized gains, net of tax, related to commodity price hedging will be reclassified from other comprehensive income into earnings.

See Note 6 – Comprehensive Income and Equity (Deficit), for amounts recorded in other comprehensive income and for amounts reclassified from accumulated other comprehensive income to net income for the periods specified below. For the three and six months ended June 30, 2017 and 2016, the following amounts were recognized in earnings related to copper swap contracts:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in millions)				
Gain from ineffectiveness of cash flow hedges	$1.1	$1.3	$3.0	$0.1
Gain from contracts not designated as hedges	0.3	0.1	1.0	0.3
Net	$1.4	$1.4	$4.0	$0.4

As of June 30, 2017, the Company has $17.9 million of USD-denominated forward contracts related to foreign currency, which are designated as cash flow hedges. The fair value of these forward contracts, which expire in the next twelve months, is $1.1 million which has been credited to other comprehensive income for the three and six months ended June 30, 2017. Forward contracts related to foreign currency that are not designated as hedges and the fair value changes associated with these contracts are immediately charged to earnings and are classified in cost of sales in the Condensed Consolidated Statement of Operations and Comprehensive Income. As of June 30, 2017, the Company has outstanding foreign currency forward contracts with a net fair value totaling $(2.2) million, consisting of a gross derivative liability of $2.7 million (recognized in accrued liabilities in the balance sheet) and a gross derivative asset of $0.5 million (recognized in other current assets in the balance sheet). As of December 31, 2016, the Company has outstanding currency forward contracts with a net fair value totaling $1.0 million, consisting of a gross derivative liability of $0.9 million (recognized in accrued liabilities in the balance sheet) and a gross derivative asset of $1.9 million (recognized in other current assets in the balance sheet).

As of June 30, 2017 and December 31, 2016, the net currency units outstanding for these contracts were:

	June 30, 2017	December 31, 2016
(In millions)		
British Pounds	GBP 7.0	GBP 7.3
New Zealand Dollars	NZD 15.5	NZD 15.5
United States Dollars	USD 23.8	USD 24.7
Canadian Dollars	CAD 0.5	CAD 0.3

18. Commitments and Contingent Liabilities

The Company and its subsidiaries are involved in litigation and various proceedings relating to environmental laws and regulations and toxic tort, product liability and other matters. Certain of these matters are discussed below. The ultimate resolution of these contingencies is subject to significant uncertainty and should the Company or its subsidiaries fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company or its subsidiaries in the same reporting period, these legal matters could, individually or in the aggregate, be material to the consolidated financial statements.

Legal Proceedings

Coal Tar Pitch Cases. Koppers Inc. is one of several defendants in lawsuits filed in two states in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to coal tar pitch sold by the defendants. There are 99 plaintiffs in 55 cases pending as of June 30, 2017 and as of December 31, 2016. As of June 30, 2017, there are a total of 54 cases pending in state court in Pennsylvania, and 1 case pending in state court in Tennessee.

The plaintiffs in all 55 pending cases seek to recover compensatory damages. Plaintiffs in 50 of those cases also seek to recover punitive damages. The plaintiffs in the 54 cases filed in Pennsylvania seek unspecified damages in excess of the court’s minimum jurisdictional limit. The plaintiff in the Tennessee state court case seeks damages of $15.0 million. The other defendants in these lawsuits vary from case to case and include companies such as Beazer East, Inc. (“Beazer East”), Honeywell International Inc., Graftech International Holdings, Dow Chemical Company, UCAR Carbon Company, Inc., and SGL Carbon Corporation. Discovery is proceeding in these cases. No trial dates have been set in any of these cases.

The Company has not provided a reserve for these lawsuits because, at this time, the Company cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of these cases cannot be reasonably determined. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company’s business, financial condition, cash flows and results of operations.

Gainesville. Koppers Inc. operated a utility pole treatment plant in Gainesville, Florida from December 29, 1988 until its closure in 2009. The property upon which the utility pole treatment plant was located was sold by Koppers Inc. to Beazer East in 2010.

In November 2010, a putative class action complaint was filed by residential real property owners located in a neighborhood west of and immediately adjacent to the former utility pole treatment plant in Gainesville. The complaint named Koppers Holdings Inc., Koppers Inc., Beazer East and several other parties as defendants. Koppers Holdings Inc. was subsequently dismissed from the case by the district court. In a second amended complaint, plaintiffs alleged that chemicals and contaminants from the Gainesville plant contaminated their properties, caused property damage (diminution in value) and placed residents and owners of the putative class properties at an elevated risk of exposure to and injury from the chemicals at issue. The plaintiffs sought a class comprised of all current property owners of single family residential properties with a polygon-shaped area extending approximately two miles from the former plant area (which area encompasses approximately 7,000 owners).

In September 2015, the plaintiffs filed a motion for class certification in the United States District Court for the Northern District of Florida. A hearing on the plaintiffs' motions for class certification and the parties' motions relating to experts was held in January 2016. On March 20, 2017, the district court denied the motion for class certification and also granted the motion to strike several of the plaintiffs' expert witnesses. Plaintiffs have sought permission to file a third amended complaint for five individual plaintiffs in the district court which is currently opposed by the Company. In July 2017, the district court granted in part and denied in part plaintiffs' motion for permission to file an amended complaint. Plaintiffs were permitted to add a count related to ultra-hazardous activities, but were denied the right to add counts related to public nuisance, medical monitoring and for equitable relief. The Company and the other defendants are preparing their answer to plaintiffs' amended complaint.

The Company has not provided a reserve for this matter because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of this case cannot be reasonably determined. Although the Company is vigorously defending this case, an unfavorable resolution of this matter may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Environmental and Other Litigation Matters

The Company and its subsidiaries are subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. The Company's subsidiaries expect to incur substantial costs for ongoing compliance with such laws and regulations. The Company's subsidiaries may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. The Company accrues for environmental liabilities when a determination can be made that a liability is probable and reasonably estimable.

Environmental and Other Liabilities Retained or Assumed by Others. The Company's subsidiaries have agreements with former owners of certain of their operating locations under which the former owners retained, assumed and/or agreed to indemnify such subsidiaries against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc.'s formation on December 29, 1988 (the "Acquisition"). Under the related asset purchase agreement between Koppers Inc. and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify Koppers Inc. against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition and liabilities related to products sold by Beazer

East prior to the Acquisition (the “Indemnity”). Beazer Limited, the parent company of Beazer East, unconditionally guaranteed Beazer East’s performance of the Indemnity pursuant to a guarantee (the “Guarantee”).

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify Koppers Inc. with regard to certain environmental, product and other liabilities and imposes certain conditions on Koppers Inc. before receiving such indemnification, including, in some cases, certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, Koppers Inc. and Beazer East agreed to amend the environmental indemnification provisions of the December 29, 1988 asset purchase agreement to extend the indemnification period for pre-closing environmental liabilities through July 2019. As consideration for the amendment, Koppers Inc. paid Beazer East a total of $7.0 million and agreed to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The July 2004 amendment did not change the provisions of the Indemnity with respect to indemnification for non-environmental claims, such as product liability claims, which claims may continue to be asserted after July 2019.

Qualified expenditures under the Indemnity are not subject to a monetary limit. Qualified expenditures under the Indemnity include (i) environmental cleanup liabilities required by third parties, such as investigation, remediation and closure costs, relating to pre-December 29, 1988 (“Pre-Closing”) acts or omissions of Beazer East or its predecessors; (ii) environmental claims by third parties for personal injuries, property damages and natural resources damages relating to Pre-Closing acts or omissions of Beazer East or its predecessors; (iii) punitive damages for the acts or omissions of Beazer East and its predecessors without regard to the date of the alleged conduct and (iv) product liability claims for products sold by Beazer East or its predecessors without regard to the date of the alleged conduct. If the third party claims described in sections (i) and (ii) above are not made by July 2019, Beazer East will not be required to pay the costs arising from such claims under the Indemnity. However, with respect to any such claims which are made by July 2019, Beazer East will continue to be responsible for such claims under the Indemnity beyond July 2019. The Indemnity provides for the resolution of issues between Koppers Inc. and Beazer East by an arbitrator on an expedited basis upon the request of either party. The arbitrator could be asked, among other things, to make a determination regarding the allocation of environmental responsibilities between Koppers Inc. and Beazer East. Arbitration decisions under the Indemnity are final and binding on the parties.

Contamination has been identified at most manufacturing and other sites of the Company’s subsidiaries. One site currently owned and operated by Koppers Inc. in the United States is listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”). Currently, at the properties acquired from Beazer East (which includes the National Priorities List site and all but one of the sites permitted under the Resource Conservation and Recovery Act (“RCRA”)), a significant portion of all investigative, cleanup and closure activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity. In addition, other of Koppers Inc.’s sites are or have been operated under RCRA and various other environmental permits, and remedial and closure activities are being conducted at some of these sites.

To date, the parties that retained, assumed and/or agreed to indemnify the Company against the liabilities referred to above, including Beazer East, have performed their obligations in all material respects. The Company believes that, for the last three years ended December 31, 2016, amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged, in total, approximately $10 million per year. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. Koppers Inc. and Beazer East engage in discussions from time to time that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and the Company or its subsidiaries are held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on the Company or its subsidiaries could have a material adverse effect on its business, financial condition, cash flows and results of operations. Furthermore, the Company could be required to record a contingent liability on its balance sheet with respect to such matters, which could result in a negative impact to the Company’s business, financial condition, cash flows and results of operations.

Domestic Environmental Matters. Koppers Inc. has been named as one of the potentially responsible parties (“PRPs”) at the Portland Harbor CERCLA site located on the Willamette River in Oregon. Koppers Inc. operated a coal tar pitch terminal near the site. Koppers Inc. has responded to an Environmental Protection Agency (“EPA”) information request and has executed a PRP agreement which outlines the process to develop an allocation of past and future costs among more than 80 parties to the site. Koppers Inc. believes it is a de minimus contributor at the site. Additionally, two separate natural resources damages assessments (“NRDA”) are being conducted by local trustee groups. The NRDA is intended to identify further information necessary to estimate liabilities for settlements of national resource damages (“NRD”) claims. Koppers Inc. may also incur liabilities under the NRD process and has entered into a separate process to develop an allocation of NRDA costs.

The EPA issued its Record of Decision (“ROD”) in January 2017 for the Portland Harbor CERCLA site. The selected remedy includes a combination of sediment removal, capping, enhanced and monitored natural recovery and riverbank improvements. The ROD does not determine who is responsible for remediation costs. The net present value and undiscounted costs of the selected remedy as estimated in the ROD are approximately $1.1 billion and $1.7 billion, respectively. Responsibility for implementing and funding that work will be decided in the separate allocation process.

In September 2009, Koppers Inc. received a general notice letter notifying it that it may be a PRP at the Newark Bay CERCLA site. In January 2010, Koppers Inc. submitted a response to the general notice letter asserting that Koppers Inc. is a de minimus party at this site.

The Company has accrued the estimated costs of participating in the PRP group at the Portland Harbor and Newark Bay CERCLA sites and estimated de minimis settlement amounts at the sites totaling $2.1 million at June 30, 2017. The actual cost could be materially higher as there has not been a determination of how those costs will be allocated among the

PRPs at the sites. Accordingly, an unfavorable resolution of these matters may have a material adverse effect on the Company’s business, financial condition, cash flows and results of operations.

In connection with Koppers Inc.’s acquisition of Osmose, Inc., there are two plant sites in the United States where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. As of June 30, 2017, the Company’s estimated environmental remediation liability for these acquired sites totals $4.9 million.

Foreign Environmental Matters. In connection with Koppers Inc.’s acquisition of Osmose, Inc., there are two plant sites located in the United Kingdom and Australia where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. As of June 30, 2017, the Company’s estimated environmental remediation liability for these acquired sites totals $3.1 million. Osmose Holdings, Inc. has provided an indemnity of up to $5.0 million for certain environmental response costs incurred prior to August 15, 2017 (the “Osmose Indemnity”). As of June 30, 2017, total recoveries under the Osmose Indemnity total $4.6 million.

In December 2011, the Company ceased manufacturing operations at its Continental Carbon facility located in Kurnell, Australia. The Company has accrued its expected cost of site remediation resulting from the closure of $3.1 million as of June 30, 2017.

Environmental Reserves Rollforward. The following table reflects changes in the accrued liability for environmental matters, of which $6.5 million and $5.2 million are classified as current liabilities at June 30, 2017 and December 31, 2016, respectively:

	Period ended	
	June 30,	December 31,
	2017	2016
(Dollars in millions)		
Balance at beginning of year	$12.9	$ 19.8
Expense	2.4	1.5
Reversal of reserves	(0.3)	(1.0)
Cash expenditures	(1.2)	(6.3)
Disposal	0.0	(0.3)
Currency translation	0.3	(0.8)
Balance at end of period	$14.1	$ 12.9

19. Subsidiary Guarantor Information for Koppers Inc. Senior Notes

On January 25, 2017, Koppers Inc. issued $500.0 million principal value of Senior Notes due 2025 (the “2025 Notes”). Koppers Holdings and each of Koppers Inc.’s 100 percent-owned material domestic subsidiaries other than Koppers Assurance, Inc. fully and unconditionally guarantee the payment of principal and interest on the 2025 Notes. The domestic guarantor subsidiaries include Koppers World-Wide Ventures Corporation, Koppers Delaware, Inc., Koppers Concrete Products, Inc., Concrete Partners, Inc., Koppers Performance Chemicals Inc., Koppers Railroad

Structures Inc., Koppers NZ, LLC, Koppers-Nevada Limited Liability Company, Wood Protection LP, Wood Protection Management LLC, Koppers Asia LLC and Koppers Ventures Inc. Non-guarantor subsidiaries are owned directly or indirectly by Koppers Inc. or are owned directly or indirectly by Koppers World-Wide Ventures Corporation.

The guarantee of a guarantor subsidiary will be automatically and unconditionally released and discharged in the event of:

- any sale of the capital stock or substantially all of the assets of the guarantor subsidiary;
- the designation of the guarantor subsidiary as an unrestricted subsidiary in accordance with the indenture governing the 2025 Notes; and
- the legal defeasance, covenant defeasance or satisfaction and discharge of the indenture governing the 2025 Notes.

Shelf Registration

Under a registration statement on Form S-3, Koppers Holdings may sell a combination of securities, including common stock, debt securities, preferred stock, depository shares, warrants, purchase contracts and units, from time to time in one or more offerings. In addition, Koppers Inc. may sell debt securities from time to time under the registration statement. Debt securities may be fully and unconditionally guaranteed, on a joint and several basis, by Koppers Holdings, Koppers Inc. and/or each of Koppers Inc.'s 100 percent-owned material domestic subsidiaries other than Koppers Assurance, Inc. The domestic guarantor subsidiaries are the same as those which guarantee the 2025 Notes. Non-guarantor subsidiaries are owned directly or indirectly by Koppers Inc. or are owned directly or indirectly by Koppers World-Wide Ventures Corporation. The guarantor subsidiaries that issue guarantees, if any, will be determined when a debt offering actually occurs under the registration statement and accordingly, the condensed consolidating financial information for subsidiary guarantors will be revised to identify the subsidiaries that actually provided guarantees. These guarantees will be governed pursuant to a supplement indenture which the trustee and the issuing company would enter into concurrent with the debt offering.

Reliance of Koppers Holdings on Earnings of Koppers Inc. and its Subsidiaries

Koppers Holdings depends on the dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of any declared dividend of Koppers Holdings. The Revolving Credit Facility prohibits Koppers Inc. from making dividend payments to Koppers Holdings unless (1) such dividend payments are permitted by the indenture governing Koppers Inc.'s 2025 Notes, (2) no event of default or potential default has occurred or is continuing under the credit agreement, and (3) we are in pro forma compliance with our fixed charge coverage ratio covenant after giving effect to such dividend. The indenture governing the 2025 Notes restricts Koppers Inc.'s ability to finance our payment of dividends if (1) a default has occurred or would result from such financing, (2) Koppers Inc., or a restricted subsidiary of Koppers Inc. which is not a guarantor under the applicable indenture, is not able to incur additional indebtedness (as defined in the applicable indenture), and (3) the sum of all restricted payments (as defined in the applicable indenture) have exceeded the permitted amount (which we refer to as the "basket") at such point in time.

The Koppers Inc. Revolving Credit Facility provides for a revolving credit facility of up to $400.0 million at variable rates. Borrowings under the Revolving Credit Facility are secured by a first priority lien on substantially all of the assets of Koppers Inc. and its material domestic subsidiaries. The Revolving Credit Facility contains certain covenants for Koppers Inc. and its restricted subsidiaries that limit capital expenditures, additional indebtedness, liens, dividends and investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. and its restricted subsidiaries to meet certain financial ratios.

As of June 30, 2017, Koppers Inc.'s assets exceeded its liabilities by $72.0 million. There are no net assets unavailable for distribution to Koppers Holdings Inc. by Koppers Inc. as of June 30, 2017. Cash dividends paid to Koppers Holdings Inc. by its subsidiaries totaled $2.0 million and $0.7 million for the six months ended June 30, 2017 and 2016, respectively.

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2017

	Parent	Koppers Inc.	Domestic Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated

(Dollars in millions)				Subsidiaries		
Net sales	$ 0.0	$ 153.2	$ 94.2	$ 151.8	$ (21.2)	$ 378.0
Cost of sales including depreciation and amortization	0.0	141.9	65.1	123.0	(21.5)	308.5
Selling, general and administrative	0.5	11.3	10.1	10.0	0.0	31.9
Operating profit (loss)	(0.5)	0.0	19.0	18.8	0.3	37.6
Other income	0.0	0.1	0.6	0.3	(0.3)	0.7
Equity income (loss) of subsidiaries	20.0	25.5	12.9	(0.1)	(58.3)	0.0
Interest expense	0.0	10.0	(0.1)	1.2	(0.3)	10.8
Income taxes	(0.2)	(4.4)	7.2	4.0	0.0	6.6
Income from continuing operations	19.7	20.0	25.4	13.8	(58.0)	20.9
Discontinued operations	0.0	0.0	0.0	(1.1)	0.0	(1.1)
Noncontrolling interests	0.0	0.0	0.0	0.1	0.0	0.1
Net income attributable to Koppers	$ 19.7	$ 20.0	$ 25.4	$ 12.6	$ (58.0)	$ 19.7
Comprehensive income attributable to Koppers	$ 24.5	$ 24.8	$ 29.9	$ 18.5	$ (73.2)	$ 24.5

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2016

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 0.0	$ 181.6	$ 87.3	$ 142.3	$ (26.1)	$ 385.1
Cost of sales including depreciation and amortization	0.0	167.8	63.6	117.6	(26.1)	322.9
Selling, general and administrative	0.3	10.9	4.2	14.8	0.0	30.2
Operating profit (loss)	(0.3)	2.9	19.5	9.9	0.0	32.0
Other income	0.0	0.0	0.7	0.1	(0.4)	0.4
Equity income of subsidiaries	12.4	26.3	6.0	0.0	(44.7)	0.0
Interest expense	0.0	13.7	0.0	1.0	(0.4)	14.3
Income taxes	0.0	2.8	0.3	3.7	0.0	6.8
Income from continuing operations	12.1	12.7	25.9	5.3	(44.7)	11.3
Noncontrolling interests	0.0	0.0	0.0	(0.8)	0.0	(0.8)
Net income attributable to Koppers	$ 12.1	$ 12.7	$ 25.9	$ 6.1	$ (44.7)	$ 12.1
Comprehensive income attributable to Koppers	$ 10.9	$ 11.3	$ 24.8	$ 3.6	$ (39.7)	$ 10.9

Condensed Consolidating Statement of Operations

For the Six Months Ended June 30, 2017

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 0.0	$ 304.1	$ 175.4	$ 288.2	$ (43.1)	$ 724.6
Cost of sales including depreciation and amortization	0.0	290.0	119.1	228.8	(41.4)	596.5
Selling, general and administrative	1.0	22.2	20.3	19.4	0.0	62.9
Operating profit (loss)	(1.0)	(8.1)	36.0	40.0	(1.7)	65.2
Other income	0.0	0.2	1.2	1.8	(0.5)	2.7
Equity income (loss) of subsidiaries	24.9	51.8	30.3	(0.1)	(106.9)	0.0
Interest expense	0.0	19.7	0.0	2.1	(0.4)	21.4
Loss on extinguishment of debt	0.0	13.3	0.0	0.0	0.0	13.3
Income taxes	(0.2)	(14.0)	13.7	8.1	0.0	7.6
Income from continuing operations	24.1	24.9	53.8	31.5	(108.7)	25.6
Discontinued operations	0.0	0.0	0.0	(1.2)	0.0	(1.2)
Noncontrolling interests	0.0	0.0	0.0	0.3	0.0	0.3
Net income attributable to Koppers	$ 24.1	$ 24.9	$ 53.8	$ 30.0	$ (108.7)	$ 24.1
Comprehensive income attributable to Koppers	$ 36.5	$ 37.4	$ 65.8	$ 42.0	$ (145.2)	$ 36.5

Condensed Consolidating Statement of Operations

For the Six Months Ended June 30, 2016

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 0.0	$ 349.5	$ 167.3	$ 262.7	$ (47.6)	$ 731.9
Cost of sales including depreciation and amortization	0.0	335.8	121.9	222.8	(48.9)	631.6
Selling, general and administrative	0.8	20.9	14.2	24.6	0.0	60.5

Operating profit (loss)	(0.8)	(7.2)	31.2	15.3	1.3	39.8
Other income	0.0	0.1	2.7	0.1	(0.9)	2.0
Equity income of subsidiaries	11.6	43.5	8.1	0.0	(63.2)	0.0
Interest expense	0.0	25.1	0.0	2.4	(0.9)	26.6
Income taxes	0.0	(0.6)	0.4	6.5	0.0	6.3
Income from continuing operations	10.8	11.9	41.6	6.5	(61.9)	8.9
Discontinued operations	0.0	0.0	0.0	0.6	0.0	0.6
Noncontrolling interests	0.0	0.0	0.0	(1.3)	0.0	(1.3)
Net income attributable to Koppers	$ 10.8	$ 11.9	$ 41.6	$ 8.4	$ (61.9)	$ 10.8
Comprehensive income attributable to Koppers	$ 18.8	$ 19.5	$ 49.3	$ 12.2	$ (81.0)	$ 18.8

Condensed Consolidating Balance Sheet

June 30, 2017

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Cash and cash equivalents	$0.0	$0.0	$ 0.0	$ 40.0	$ 0.0	$ 40.0
Receivables, net	0.0	62.1	36.7	85.8	0.0	184.6
Affiliated receivables	0.0	15.9	1.5	12.7	(30.1)	0.0
Inventories, net	0.0	86.7	39.6	105.9	(2.5)	229.7
Other current assets	0.0	6.4	17.9	22.1	0.3	46.7
Total current assets	0.0	171.1	95.7	266.5	(32.3)	501.0
Equity investments	70.5	761.2	231.1	0.0	(1,062.8)	0.0
Property, plant and equipment, net	0.0	140.5	44.6	118.3	0.0	303.4
Goodwill	0.0	0.8	153.1	34.0	0.0	187.9
Intangible assets, net	0.0	7.7	104.4	24.1	0.0	136.2
Deferred tax assets	0.0	29.6	(8.7)	5.8	0.0	26.7
Affiliated loan receivables	0.0	34.0	217.8	21.2	(273.0)	0.0
Other assets	0.0	4.6	3.3	5.2	0.1	13.2
Total assets	$70.5	$1,149.5	$ 841.3	$ 475.1	$ (1,368.0)	$ 1,168.4
LIABILITIES AND EQUITY						
Accounts payable	0.1	62.9	42.3	43.1	0.0	148.4
Affiliated payables	1.5	10.7	7.5	10.4	(30.1)	0.0
Accrued liabilities	0.0	52.2	14.9	49.3	0.0	116.4
Current maturities of long-term debt	0.0	0.1	0.0	12.4	0.0	12.5
Total current liabilities	1.6	125.9	64.7	115.2	(30.1)	277.3
Long-term debt	0.0	655.4	0.0	25.1	0.0	680.4
Affiliated debt	0.0	221.5	17.1	34.4	(273.0)	0.0
Other long-term liabilities	0.0	74.7	14.2	48.2	0.0	137.2
Total liabilities	1.6	1,077.5	96.0	222.9	(303.1)	1,094.9
Koppers shareholders’ equity	68.9	72.0	745.3	247.6	(1,064.9)	68.9
Noncontrolling interests	0.0	0.0	0.0	4.6	0.0	4.6
Total liabilities and equity	$70.5	$1,149.5	$ 841.3	$ 475.1	$ (1,368.0)	$ 1,168.4

Condensed Consolidating Balance Sheet

December 31, 2016

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Cash and cash equivalents	$ 0.0	$ 0.0	$ 0.0	$ 20.8	$ 0.0	$ 20.8
Receivables, net	0.0	50.8	25.4	64.4	0.0	140.6
Affiliated receivables	0.7	34.8	32.2	15.4	(83.1)	0.0
Inventories, net	0.0	106.6	23.9	99.0	(0.8)	228.7
Other current assets	0.0	5.1	13.4	29.2	0.3	48.0
Total current assets	0.7	197.3	94.9	228.8	(83.6)	438.1
Equity investments	29.9	697.4	195.4	0.0	(922.7)	0.0
Property, plant and equipment, net	0.0	126.7	39.6	114.5	0.0	280.8
Goodwill	0.0	0.8	153.1	32.5	0.0	186.4
Intangible assets, net	0.0	7.9	107.1	26.9	0.0	141.9
Deferred tax assets	0.0	29.7	(8.4)	5.8	0.0	27.1
Affiliated loan receivables	0.0	36.9	205.3	21.9	(264.1)	0.0
Other assets	0.0	5.5	6.1	1.6	0.0	13.2
Total assets	$ 30.6	$ 1,102.2	$ 793.1	$ 432.0	$ (1,270.4)	$ 1,087.5
LIABILITIES AND EQUITY						
Accounts payable	$ 0.2	$ 69.6	$ 38.9	$ 35.5	$ 0.0	$ 144.2
Affiliated payables	0.0	46.0	20.7	24.5	(91.2)	0.0
Accrued liabilities	0.0	49.5	18.9	37.9	0.0	106.3
Current maturities of long-term debt	0.0	30.2	0.0	12.4	0.0	42.6
Total current liabilities	0.2	195.3	78.5	110.3	(91.2)	293.1
Long-term debt	0.0	592.0	0.0	27.8	0.0	619.8
Affiliated debt	0.0	209.9	23.5	30.7	(264.1)	0.0
Other long-term liabilities	0.0	75.0	11.6	53.4	0.0	140.0
Total liabilities	0.2	1,072.2	113.6	222.2	(355.3)	1,052.9
Koppers shareholders' equity	30.4	30.0	679.5	205.6	(915.1)	30.4
Noncontrolling interests	0.0	0.0	0.0	4.2	0.0	4.2
Total liabilities and equity	$ 30.6	$ 1,102.2	$ 793.1	$ 432.0	$ (1,270.4)	$ 1,087.5

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2017

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	$ 3.3	$ (8.4)	$ 26.4	$ 12.0	$ (2.0)	$ 31.3
Cash provided by (used in) investing activities:						
Capital expenditures and acquisitions	0.0	(23.1)	(8.0)	(3.1)	0.0	(34.2)
Repayments (loans to) from affiliates	0.0	2.9	(12.5)	0.7	8.9	0.0
Repayment of loan	0.0	0.0	0.0	9.5	0.0	9.5
Net cash provided by divestitures and asset sales	0.0	0.0	0.5	0.3	0.0	0.8
Net cash (used in) provided by investing activities	0.0	(20.2)	(20.0)	7.4	8.9	(23.9)
Cash provided by (used in) financing activities:						
Borrowings (repayments) of long-term debt	0.0	30.0	0.0	(4.0)	0.0	26.0
Borrowings (repayments) of affiliated debt	0.0	11.6	(6.4)	3.7	(8.9)	0.0
Debt issuance costs	0.0	(11.0)	0.0	0.0	0.0	(11.0)
Dividends paid	0.0	(2.0)	(0.0)	0.0	2.0	0.0
Stock repurchased	(3.3)	0.0	0.0	0.0	0.0	(3.3)
Net cash provided by (used in) financing activities	(3.3)	28.6	(6.4)	(0.3)	(6.9)	11.7
Effect of exchange rates on cash	0.0	0.0	0.0	0.1	0.0	0.1
Net increase in cash and cash	0.0	0.0	0.0	19.2	0.0	19.2

equivalents						
Cash and cash equivalents at beginning of year	0.0	0.0	0.0	20.8	0.0	20.8
Cash and cash equivalents at end of period	$ 0.0	$ 0.0	$ 0.0	$ 40.0	$ 0.0	$ 40.0

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Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2016

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	$ 0.2	$ (2.6)	$ 47.5	$ 9.0	$ (19.8)	$ 34.3
Cash provided by (used in) investing activities:						
Capital expenditures and acquisitions	0.0	(14.4)	(1.5)	(5.4)	0.0	(21.3)
Repayments (loans to) from affiliates	0.0	(5.1)	(21.3)	(0.5)	26.9	0.0
Net cash proceeds from divestitures and asset sales	0.0	0.1	0.4	0.1	0.0	0.6
Net cash (used in) provided by investing activities	0.0	(19.4)	(22.4)	(5.8)	26.9	(20.7)
Cash provided by (used in) financing activities:						
Repayments of long-term debt	0.0	(13.1)	0.0	0.2	0.0	(12.9)
Borrowings (repayments) of affiliated debt	0.0	37.1	(6.6)	(3.6)	(26.9)	0.0
Dividends paid	0.0	(0.7)	(19.1)	0.0	19.8	0.0
Stock repurchased	(0.2)	0.0	0.0	0.0	0.0	(0.2)
Net cash provided by (used in) financing activities	(0.2)	21.9	(25.7)	(3.4)	(7.1)	(14.5)
Effect of exchange rates on cash	0.0	0.0	0.0	(4.5)	0.0	(4.5)
Net decrease in cash and cash equivalents	0.0	(0.1)	(0.6)	(4.7)	0.0	(5.4)
Cash and cash equivalents at beginning of year	0.0	0.1	0.7	21.0	0.0	21.8

Cash and cash equivalents at end of period	$ 0.0	$ 0.0	$