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Koppers Holdings Inc.
Form 10-Q
November 05, 2015
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 September 30, 2015

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 or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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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 October 31, 2015 amounted to 20,553,284 shares.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(Dollars in millions, except per share amounts)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$433.8	\$ 440.1	\$1,263.2	\$ 1,128.3
Cost of sales (excluding items below)	359.1	377.0	1,059.4	974.0
Depreciation and amortization	16.9	11.2	49.6	29.8
Gain on sale of business	0.0	0.0	(3.2)	0.0
Impairment and restructuring charges	0.0	2.6	2.7	18.1
Selling, general and administrative expenses	30.8	32.0	93.7	75.3
Operating profit	27.0	17.3	61.0	31.1
Other income (loss)	0.0	(0.2)	0.4	(0.3)
Interest expense	12.6	11.9	38.5	25.3
Income before income taxes	14.4	5.2	22.9	5.5
Income tax provision	5.2	9.5	10.0	9.1
Income (loss) from continuing operations	9.2	(4.3)	12.9	(3.6)
(Loss) income from discontinued operations, net of tax				
benefit of \$0.0, \$0.0, \$0.0 and \$0.0	(0.1)	0.1	(0.1)	0.0
Net income (loss)	9.1	(4.2)	12.8	(3.6)
Net loss attributable to noncontrolling interests	(1.0)	(1.5)	(2.9)	(4.7)
Net income (loss) attributable to Koppers	\$10.1	\$ (2.7)	\$15.7	\$ 1.1
Earnings (loss) per common share attributable to Koppers				
common shareholders:				
Basic	\$0.49	\$ (0.14)	\$0.77	\$ 0.05
Diluted	\$0.49	\$ (0.14)	\$0.76	\$ 0.05
Comprehensive loss	\$(4.7)	\$(19.9)	\$(7.9)	\$(14.1)
Comprehensive loss attributable to noncontrolling interests	(1.2)	(1.3)	(3.1)	(4.9)
Comprehensive loss attributable to Koppers	\$(3.5)	\$(18.6)	\$(4.8)	\$(9.2)
Weighted average shares outstanding (in thousands):				
Basic	20,553	20,495	20,537	20,452
Diluted	20,632	20,495	20,609	20,593
Dividends declared per common share	\$0.00	\$ 0.25	\$0.00	\$ 0.75

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

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

	September 30,	December 31,
	2015	2014
(Dollars in millions, except per share amounts)	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 33.0	\$ 51.1
Accounts receivable, net of allowance of \$6.3 and \$5.6	198.5	198.7
Inventories, net	208.7	241.2
Deferred tax assets	13.4	10.5
Loan to related party	9.5	9.5
Other current assets	39.2	30.3
Total current assets	502.3	541.3
Equity in non-consolidated investments	0.8	5.0
Property, plant and equipment, net	289.4	299.7
Goodwill	252.6	247.2
Intangible assets, net	158.9	167.7
Deferred tax assets	8.3	7.8
Other assets	25.1	25.2
Total assets	\$ 1,237.4	\$ 1,293.9
Liabilities		
Accounts payable	\$ 151.6	\$ 120.6
Accrued liabilities	97.7	122.5
Dividends payable	0.0	5.1
Current maturities of long-term debt	45.1	43.9
Total current liabilities	294.4	292.1
Long-term debt	718.0	806.6
Accrued postretirement benefits	52.6	54.7
Deferred tax liabilities	8.9	10.2
Other long-term liabilities	88.2	46.4
Total liabilities	1,162.1	1,210.0
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;		
22,012,121 and 21,938,260 shares issued	0.2	0.2
Additional paid-in capital	167.5	164.5
Retained earnings	33.8	18.0
Accumulated other comprehensive loss	(80.8)	(60.3)
Treasury stock, at cost, 1,458,837 and 1,443,248 shares	(52.7)	(52.4)
Total Koppers shareholders' equity	68.0	70.0

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Noncontrolling interests	7.3	13.9
Total equity	75.3	83.9
Total liabilities and equity	\$ 1,237.4	\$ 1,293.9

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

3

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30,	
	2015	2014
(Dollars in millions)	(Unaudited)	(Unaudited)
Cash provided by (used in) operating activities:		
Net income (loss)	\$ 12.8	\$ (3.6)
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	49.6	29.8
Impairment charges	2.7	4.7
Gain on sale of business	(3.2)	0.0
Deferred income taxes	(0.8)	(3.2)
Equity loss, net of dividends received	2.2	0.9
Change in other liabilities	(3.8)	(10.9)
Non-cash interest expense	2.7	3.4
Stock-based compensation	3.1	4.6
Deferred revenue	28.3	0.0
Other	1.7	(1.5)
Changes in working capital:		
Accounts receivable	(8.8)	(15.6)
Inventories	13.7	4.9
Accounts payable	34.2	(6.1)
Accrued liabilities and other working capital	(39.3)	3.4
Net cash provided by operating activities	95.1	10.8
Cash (used in) provided by investing activities:		
Capital expenditures	(26.4)	(59.0)
Acquisitions, net of cash acquired	(15.3)	(496.5)
Net cash proceeds from divestitures and asset sales	14.7	0.1
Net cash used in investing activities	(27.0)	(555.4)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	465.4	520.7
Repayments of revolving credit	(531.0)	(305.8)
Borrowings of long-term debt	1.8	348.9
Repayments of long-term debt	(22.5)	0.0
Issuances of Common Stock	0.0	0.7
Proceeds from issuance of noncontrolling interest	0.0	1.4
Repurchases of Common Stock	(0.3)	(2.0)
Payment of deferred financing costs	(1.0)	(11.1)
Dividends paid	(8.7)	(15.2)
Net cash (used in) provided by financing activities	(96.3)	537.6
Effect of exchange rate changes on cash	10.1	(0.1)
Net decrease in cash and cash equivalents	(18.1)	(7.1)
Cash and cash equivalents at beginning of period	51.1	82.2
Cash and cash equivalents at end of period	\$ 33.0	\$ 75.1

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, 2014 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2014.

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, 2014.

2. New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued guidance that removes from the fair value hierarchy investments for which fair value is measured at net asset value (or its equivalent) using the available practical expedient. The new guidance also modifies the scope of the disclosures related to such investments, eliminating from scope those investments eligible for but not actually valued using the practical expedient. Entities must continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient, including information that helps readers understand the investments and whether the investments, if sold, are probable of being sold at amounts that differ from the net asset value. This guidance becomes effective January 1, 2016 and requires retrospective application. Early adoption is permitted. We are currently evaluating the impact this guidance will have on disclosures covering certain assets held by our pension plans.

In April 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires companies to present debt issuance costs associated with a debt liability as a deduction from the carrying amount of that debt liability on the balance sheet rather than being capitalized as an asset. The standard is effective for interim and annual periods beginning after December 15, 2015, and retrospective presentation is required. The Company will adopt ASU No. 2015-03 on January 1, 2016 as required. ASU No. 2015-03 will not have a material effect on the Company's results of operations, financial condition or liquidity.

In February 2015, the FASB released updated consolidation guidance that entities must use to evaluate specific ownership and contractual arrangements that lead to a consolidation conclusion. The updates could change consolidation outcomes affecting presentation and disclosures. This guidance becomes effective January 1, 2016. We do not expect that the updated guidance will have a material effect on the Company's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern", which requires management to perform interim and annual assessments of an entity's ability to

continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. ASU No. 2014-15 applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. We do not expect that the adoption of this standard will have a material effect on the Company's financial statements.

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. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application. In July 2015, the FASB adopted a one-year deferral of this guidance. As a result, this guidance will be effective January 1, 2018 with the option to adopt the standard as of the original effective date, January 1, 2017. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company's financial statements.

In January 2015, the Company adopted the amended guidance of ASC Topic 205, Presentation of Financial Statements (Topic 205) and ASC Topic 360, Property, Plant, and Equipment, which limit the definition of discontinued operations as only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The amended guidance also expands the definition of discontinued operations to include a business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale and a disposal of an equity method investment that meets the definition of discontinued operations. The amended guidance requires the Company to report discontinued operations if (1) the component of an entity or group of components of an entity meets the criteria in Topic 205 to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; or (3) the component of an entity or group of components of an entity is disposed other than by sale. We considered this amended guidance and determined the sale of the North American utility pole business should not be reported as a discontinued operation. The Company does not believe the sale of this business to have a major effect on the Company's operations and financial results.

3. Plant Closures and Divestitures

On January 16, 2015, Koppers Inc. sold its North American utility pole business for cash of \$12.3 million and a promissory note of \$1.3 million. The Company recognized a gain of \$3.2 million on this transaction. The promissory note is repayable in four equal annual installments beginning January 2016. This gain is reported in "Gain on sale of business" on the Consolidated Statement of Operations. The proceeds of the sale are reported within "Net cash proceeds from divestitures and asset sales" on the Condensed Consolidated Statement of Cash Flows.

In March 2015, the Company announced its decision to discontinue production at its Railroad and Utility Products and Services plant located in Green Spring, West Virginia. Accordingly, the Company recorded a severance and fixed asset impairment charge of \$2.7 million. As of September 30, 2015, the facility is closed. All fixed assets directly related to the facility have been substantially depreciated.

Details of the restructuring activities and related reserves for past closures of certain of the Company's facilities in the Netherlands, Australia and the United States are as follows:

	Severance and employee benefits	Environmental remediation	Site demolition	Other	Total
(Dollars in millions)					
Reserve at December 31, 2013	\$ 0.1	\$ 5.6	\$ 3.3	\$ 0.0	\$9.0
Accrual	9.8	0.0	3.2	0.1	13.1
Reversal of accrued charges	0.0	(1.1)	(0.9)	0.0	(2.0)
Cash paid	(9.7)	0.0	(1.3)	0.0	(11.0)
Currency translation	(0.2)	(0.4)	(0.4)	0.0	(1.0)
Reserve at December 31, 2014	\$ 0.0	\$ 4.1	\$ 3.9	\$ 0.1	\$8.1
Accrual	0.3	0.0	0.0	0.7	1.0
Reversal of accrued charges	0.0	0.0	(0.2)	0.0	(0.2)
Cash paid	(0.1)	0.0	(2.0)	0.0	(2.1)

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Currency translation	0.0	(0.6	)	(0.3	)	0.0	(0.9	)
Reserve at September 30, 2015	\$ 0.2	\$ 3.5		\$ 1.4		\$ 0.8	\$ 5.9	

4. Business Acquisitions

KMG – On January 16, 2015, Koppers Inc. acquired the creosote sales and distribution business of KMG Chemicals, Inc. located in Avondale, Louisiana. The purchase price was \$15.1 million, and was funded primarily by proceeds from the sale of the North American utility pole business. The preliminary allocation of purchase price to acquired assets primarily consisted of inventory totaling \$3.0 million, intangible assets consisting primarily of customer relationships totaling \$7.8 million and goodwill of \$4.2 million. The tax deductible goodwill is allocated to the Carbon Materials and Chemicals segment and the customer contracts will be amortized over a preliminarily estimated period of 18 years.

Osmose Entities – On August 15, 2014, pursuant to the terms and conditions of a stock purchase agreement, Koppers Inc. acquired Osmose, Inc. and Osmose Railroad Services, Inc. (together, the “Osmose Entities”) from Osmose Holdings, Inc. The aggregate cash purchase price was \$494.1 million, less cash acquired of \$27.2 million. The cash purchase price was funded by a new credit agreement with a consortium of banks which provides for a \$500 million revolving credit facility and a \$300 million term loan. Acquisition-related costs for the three month and nine month periods ended September 30, 2014 were \$6.3 million and \$10.4 million, respectively, and are reported in selling, general and administrative expenses.

Subsequent to the acquisition, Osmose, Inc. was renamed Koppers Performance Chemicals Inc. and Osmose Railroad Services, Inc. was renamed Koppers Railroad Structures Inc. Koppers Performance Chemicals Inc.’s wood preservation

business develops, manufactures and sells wood preservation chemicals and wood treatment technologies for infrastructure, residential and commercial construction, and agricultural markets. The wood preservation business has operations and sales in North America, South America, Europe, and Australasia. Substantially all of the businesses of Koppers Performance Chemicals Inc. are reported as our Performance Chemicals segment. Koppers Railroad Structures Inc. is a provider of railroad infrastructure services, including bridge inspection, engineering, maintenance and repair, and construction services for the Class I and short-line railroads in North America. Koppers Railroad Structures Inc. and one wood treating company, which is a subsidiary of Koppers Performance Chemicals Inc., are reported as part of the Railroad and Utility Products and Services segment.

The consolidated balance sheet as of December 31, 2014 reflected a preliminary fair value determination of the acquired assets and liabilities based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to change. As of September 30, 2015, the Company has adjusted the value of certain acquired assets and liabilities which has resulted in a net increase to goodwill of approximately \$9.4 million since December 31, 2014.

The following unaudited pro forma information presents a summary of the Company's revenues and net income from continuing operations as if the acquisition occurred on January 1, 2014. The unaudited pro forma information is not necessarily indicative of operating results that would have been achieved had the acquisition been completed as of January 1, 2014 and does not intend to project the future financial results of the Company after the acquisition of the Osmose Entities. The unaudited pro forma information is based on certain assumptions, which management believes are reasonable, and do not reflect the cost of any integration activities or the benefits from the acquisition and synergies that may be derived from any integration activities.

	Three months ended September 30, 2014	Nine months ended September 30, 2014
(Dollars in millions)		
Revenue	\$ 500.1	\$ 1,392.9
Income from continuing operations attributable to Koppers	3.4	16.4

Pro forma adjustments reflected in the unaudited pro forma information are based on items that are directly attributable to the acquisition of the Osmose Entities and related financing that are factually supportable and are expected to have a continuing impact on Koppers. These adjustments include, but are not limited to, depreciation and amortization related to preliminary fair value adjustments to property, plant and equipment and intangible assets, interest expense on acquisition-related debt, removal of acquisition-related transaction expenses, the elimination of intercompany sales and related income tax effects of the pro forma adjustments.

5. Fair Value Measurements

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Carrying amounts and the related estimated fair values of the Company's financial instruments as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
(Dollars in millions)				
Financial assets:				
Cash and cash equivalents, including restricted cash	\$33.0	\$ 33.0	\$51.1	\$ 51.1
Investments and other assets ^(a)	1.4	1.4	1.5	1.5
Financial liabilities:				
Long-term debt (including current portion)	\$767.2	\$ 763.1	\$862.1	\$ 850.5

(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 values of the term loan and revolving credit facility approximate carrying value due to the variable rate nature of these instruments.

6. Comprehensive Income and Equity

Total comprehensive income for the three and nine months ended September 30, 2015 and 2014 is summarized in the table below:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
(Dollars in millions)				
Net income (loss)	\$9.1	\$(4.2)	\$12.8	\$(3.6)
Other comprehensive (loss) income:				
Change in currency translation adjustment	(13.6)	(10.6)	(21.9)	(9.8)
Change in foreign currency transactions of long-term				
subsidiary investments	0.0	(3.8)	0.0	(0.5)
Change in derivative financial instrument net loss, net				
of tax benefit (expense) of \$0.5, \$0.8, \$0.7 and \$0.8	(1.2)	(1.9)	(1.7)	(1.9)
Change in unrecognized pension net income, net of				
tax benefit (expense) of \$(0.4), \$(0.2), \$(1.2) and \$(0.7)	1.0	0.6	3.0	1.8
Change in unrecognized prior service cost, net of tax				
benefit (expense) of \$0.0, \$0.0, \$0.0 and \$0.0	0.0	0.0	(0.1)	(0.1)
Total comprehensive loss	(4.7)	(19.9)	(7.9)	(14.1)
Less: comprehensive loss attributable to noncontrolling				
interests	(1.2)	(1.3)	(3.1)	(4.9)
Comprehensive loss attributable to Koppers	\$(3.5)	\$(18.6)	\$(4.8)	\$(9.2)

Amounts reclassified from accumulated other comprehensive income to net income consist of amounts shown for changes in unrecognized pension net loss, unrecognized prior service cost and unrecognized transition asset. 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 losses related to derivative financial instruments of \$1.8 million and \$3.7 million for the three and nine months ended September 30, 2015, respectively.

The following tables present the change in equity for the nine months ended September 30, 2015 and 2014, respectively:

(Dollars in millions)

Noncontrolling

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	Total Koppers	Interests	Total Equity
Shareholders' Equity			
Balance at December 31, 2014	\$ 70.0	\$ 13.9	\$ 83.9
Net income (loss)	15.7	(2.9)	12.8
Employee stock plans	3.1	0.0	3.1
Other comprehensive loss	(20.5)	(0.2)	(20.7)
Dividends	0.0	(3.5)	(3.5)
Repurchases of common stock	(0.3)	0.0	(0.3)
Balance at September 30, 2015	\$ 68.0	\$ 7.3	\$ 75.3

	Total Koppers	Shareholders' Noncontrolling	Total Equity
(Dollars in millions)	Equity	Interests	
Balance at December 31, 2013	\$ 169.8	\$ 20.0	\$ 189.8
Net income (loss)	1.1	(4.7)	(3.6)
Issuance of common stock	0.7	0.0	0.7
Employee stock plans	4.9	0.0	4.9
Other comprehensive loss	(10.3)	(0.2)	(10.5)
Dividends	(15.6)	0.0	(15.6)
Investment in noncontrolling interests	0.0	1.3	1.3
Repurchases of common stock	(2.0)	0.0	(2.0)
Balance at September 30, 2014	\$ 148.6	\$ 16.4	\$ 165.0

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 earnings per common share.

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

	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
(Dollars in millions, except share amounts, in thousands, and per share amounts)								
Net income (loss) attributable to Koppers	\$10.1		\$(2.7	)	\$15.7		\$1.1	
Less: (Loss) income from discontinued operations	(0.1	)	0.1		(0.1	)	0.0	
Income (loss) from continuing operations attributable to								
Koppers	\$10.2		\$(2.8	)	\$15.8		\$1.1	
Weighted average common shares outstanding:								
Basic	20,553		20,495		20,537		20,452	
Effect of dilutive securities	79		0		72		141	
Diluted	20,632		20,495		20,609		20,593	
Earnings (loss) per common share – continuing operations:								
Basic earnings (loss) per common share	\$0.49		\$(0.14	)	\$0.77		\$0.05	
Diluted earnings (loss) per common share	0.49		(0.14	)	0.76		0.05	
Other data:								
Antidilutive securities excluded from computation of								
diluted earnings per common share	738		265		671		260	

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.

Under the LTIP, the board of directors granted restricted stock units and performance stock units to certain employee participants (collectively, the “stock units”). For grants prior to 2015, restricted stock units vest on the third anniversary of the grant date, assuming continued employment by the participant. For the March 2015 grant, the restricted stock units vest in four equal annual installments. Performance stock units granted generally have three-year performance objectives and all performance stock units have a three-year period for vesting (if the applicable performance objective is obtained). 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 150 percent or 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.

Dividends declared 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.

Restricted stock units that vest immediately or 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 members of management in connection with employee compensation.

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 stock units is the market price of the underlying common stock on the date of grant.

The following table shows a summary of the performance stock units as of September 30, 2015:

	Minimum	Target	Maximum
Performance Period	Shares	Shares	Shares
2013 – 2015	0	80,578	120,867
2014 – 2016	0	94,341	141,512
2015 – 2017	0	223,684	335,526

The following table shows a summary of the status and activity of non-vested stock awards for the nine months ended September 30, 2015:

	Restricted	Performance	Total	Weighted Average
	Stock	Stock	Stock	Grant Date Fair
	Units	Units	Units	Value per Unit
Non-vested at December 31, 2014	148,906	280,381	429,287	\$ 39.31
Granted	141,775	223,684	365,459	\$ 18.20
Credited from dividends	4,271	5,970	10,241	\$ 37.78
Vested	(62,929)	0	(62,929)	\$ 38.08
Forfeited	(10,566)	(106,031)	(116,597)	\$ 38.49
Non-vested at September 30, 2015	221,457	404,004	625,461	\$ 27.23

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 the March 2015 grant, the stock options vest in four equal annual installments. The stock options have a term of 10 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.

In accordance with accounting standards, compensation expense for non-vested stock options is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock options on the date of grant is calculated using the Black-Scholes-Merton model and the assumptions listed below:

	March 2015 Grant	February 2014 Grant	February 2013 Grant
Grant date price per share of stock option award	\$ 17.57	\$ 37.93	\$ 42.76
Expected dividend yield per share	3.40 %	2.75 %	2.75 %
Expected life in years	5.75	6.5	6.5
Expected volatility	42.27 %	52.14 %	53.77 %
Risk-free interest rate	1.73 %	1.98 %	1.29 %
Grant date fair value per share of option awards	\$ 5.20	\$ 15.26	\$ 17.28

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 expected life in years for the March 2015 grant is based on historical exercise data of options previously granted by the Company. The expected life in years for grants prior to 2015 are based on the simplified method permitted under Securities and Exchange Commission Staff Accounting Bulletin No. 14d.2 which calculates the average of the weighted vesting term and the contractual term of the option. This method was selected due to the lack of historical exercise data with respect to the Company at the time of those grants. 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.

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The following table shows a summary of the status and activity of stock options for the nine months ended September 30, 2015:

		Weighted Average	Weighted Average	Remaining	
		Exercise Price	Contractual Term	Aggregate Intrinsic	
	Options	per Option	(in years)	Value (in millions)	
Outstanding at December 31, 2014	448,812	\$ 36.58			
Granted	330,159	\$ 17.57			
Forfeited	(4,722)	\$ 39.23			
Outstanding at September 30, 2015	774,249	\$ 28.46	6.99	\$ 1.0	
Exercisable at September 30, 2015	333,697	\$ 35.36	4.17	\$ 0.1	

Total stock-based compensation expense recognized for the three and nine months ended September 30, 2015 and 2014 is as follows:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
(Dollars in millions)				
Stock-based compensation expense recognized:				
Selling, general and administrative expenses	\$ 1.1	\$ 1.4	\$ 3.1	\$ 4.6
Less related income tax benefit	0.4	0.6	1.2	1.8
	\$ 0.7	\$ 0.8	\$ 1.9	\$ 2.8

As of September 30, 2015, total future gross compensation expense related to non-vested stock-based compensation arrangements, which are expected to vest, totaled \$7.7 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: Carbon Materials and Chemicals, Railroad and Utility Products and Services, and Performance Chemicals. The Company's reportable segments contain multiple 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 Carbon Materials and Chemicals segment is primarily a manufacturer of carbon pitch, naphthalene, phthalic anhydride, creosote and carbon black feedstock. 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. Creosote is used in the treatment of wood and carbon black feedstock is used in the production of carbon black.

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 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. Utility products include 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 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 or income taxes. Operating profit also excludes the operating costs of Koppers Holdings Inc., the parent company of Koppers 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 September 30, 2015		Nine Months Ended September 30, 2015	
	2014		2014	
(Dollars in millions)				
Revenues from external customers:				
Carbon Materials and Chemicals	\$ 163.0	\$ 226.6	\$ 479.6	\$ 637.8
Railroad and Utility Products and Services	177.6	167.4	506.6	444.4
Performance Chemicals	93.2	46.1	277.0	46.1
Total	\$ 433.8	\$ 440.1	\$ 1,263.2	\$ 1,128.3
Intersegment revenues:				
Carbon Materials and Chemicals	\$ 23.1	\$ 20.7	\$ 63.6	\$ 62.0
Performance Chemicals	2.0	0.8	6.3	0.8
Total	\$ 25.1	\$ 21.5	\$ 69.9	\$ 62.8
Depreciation and amortization expense:				
Carbon Materials and Chemicals ^(a)	\$ 8.0	\$ 6.6	\$ 20.7	\$ 18.7
Railroad and Utility Products and Services ^(b)	4.2	2.2	14.7	8.7
Performance Chemicals	4.7	2.4	14.2	2.4
Total	\$ 16.9	\$ 11.2	\$ 49.6	\$ 29.8
Operating profit (loss):				
Carbon Materials and Chemicals ^(c)	\$ 0.0	\$ 5.2	\$ (13.8)	\$ 0.2
Railroad and Utility Products and Services ^(d)	17.7	17.4	48.1	41.3
Performance Chemicals	9.7	1.3	31.6	1.3
Corporate ^(e)	(0.4)	(6.6)	(4.9)	(11.7)
Total	\$ 27.0	\$ 17.3	\$ 61.0	\$ 31.1

- (a) Excludes impairment charges of \$4.7 million for the nine months ended September 30, 2014 for the Tangshan, China facility.
- (b) Excludes impairment charges of \$2.5 million for the nine months ended September 30, 2015 for a wood treating facility in the United States.
- (c) Includes plant closure costs of \$13.4 million for the nine months ended September 30, 2014 for the Uithoorn, Netherlands facility and impairment charges of \$4.7 million for the nine months ended September 30, 2014 for the Tangshan, China facility.
- (d) Includes gain on sale of the Company's North American utility pole business of \$3.2 million and impairment charges of \$2.5 million for a wood treating facility in the United States in the nine months ended September 30, 2015.
- (e) Operating loss for Corporate includes general and administrative costs for Koppers Holdings Inc., the parent company of Koppers Inc., and foreign exchange revaluation related to intercompany loans in connection with a legal reorganization of the Company.

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

September 30, December 31,

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	2015	2014
(Dollars in millions)		
Segment assets:		
Carbon Materials and Chemicals	\$ 486.5	\$ 514.6
Railroad and Utility Products and Services	258.1	275.2
Performance Chemicals	456.9	469.0
All other	35.9	35.1
Total	\$ 1,237.4	\$ 1,293.9
Goodwill:		
Carbon Materials and Chemicals	\$ 67.0	\$ 65.5
Railroad and Utility Products and Services	9.8	9.3
Performance Chemicals	175.8	172.4
Total	\$ 252.6	\$ 247.2

10. Income Taxes

Effective Tax Rate

The income tax provision for interim periods is based on an estimated annual effective tax rate, which requires management to make its best estimate of annual pretax income by domestic and foreign jurisdictions and other items that impact taxable income. Items that are not related to annual pretax ordinary income are recognized entirely in the interim period as a discrete item. Such items include the results of certain entities that have historical pre-tax losses and current year estimated pre-tax losses that are not projected to be utilized.

Income taxes as a percentage of pretax ordinary income before discrete items were 35.3 percent and 94.2 percent for each of the three months ended on September 30, 2015 and 2014, respectively. Discrete items included in income taxes for the three months ended September 30, 2015 were a net tax benefit of \$1.2 million which was primarily related to changes in unrecognized tax benefits. Discrete items included in income taxes for the three months ended September 30, 2014 were a net tax benefit of \$0.3 million which was primarily related to changes in unrecognized tax benefits.

The effective tax rate for the three months ended on September 30, 2015 differs from the U.S. federal statutory rate of 35.0 percent due to nondeductible expenses (+1.7 percent) and uncertain tax positions (+1.4 percent) partially offset by state taxes (-2.5 percent), and the taxes on foreign earnings (-0.3 percent). With respect to the three months ended on September 30, 2014, the effective tax rate differs from the U.S. federal statutory rate of 35.0 percent due to the taxes on foreign earnings (+47.7 percent), nondeductible expenses (+11.0 percent), uncertain tax positions (+2.7 percent) and state taxes (+0.1 percent) partially offset by the domestic manufacturing deduction (-1.8 percent) and tax credits (-0.5 percent).

Income taxes as a percentage of pretax ordinary income before discrete items were 33.1 percent and 80.9 percent for the nine months ended on September 30, 2015 and 2014, respectively. Discrete items included in income taxes for the nine months ended on September 30, 2015 were a net tax benefit of \$1.6 million which was primarily related to changes in unrecognized tax benefits and the closure of an IRS audit of the Company's U.S. tax returns through 2011. Discrete items included in income taxes for the nine months ended on September 30, 2014 were a net tax benefit of \$6.0 million which was primarily related to management's decision that a deferred tax liability for certain undistributed earnings of its European subsidiaries was no longer necessary as these earnings are permanently reinvested.

The effective tax rate for the nine months ended on September 30, 2015 differs from the U.S. federal statutory rate of 35.0 percent due to the taxes on foreign earnings (-3.7 percent) and state taxes (-0.8 percent) partially offset by nondeductible expenses (+1.4 percent), and uncertain tax positions (+1.2 percent). With respect to the nine months ended on September 30, 2014, the effective tax rate differs from the U.S. federal statutory rate of 35.0 percent primarily due to the taxes on foreign earnings (+38.8 percent), nondeductible expenses (+6.7 percent), uncertain tax positions (+2.0 percent) and state taxes (+0.8 percent) partially offset by the domestic manufacturing deduction (-2.0 percent) and tax credits (-0.4 percent).

During the year, management regularly updates estimates based on changes in various factors such as product prices, shipments, product mix, operating and administrative costs, earnings mix by taxable jurisdiction, repatriation of foreign earnings, uncertain tax positions and the ability to claim tax credits. To the extent that actual results vary from the estimates at the end of the third quarter, the actual tax provision recognized for 2015 could be materially different from the forecasted annual tax provision as of the end of the third 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 before 2011.

As of September 30, 2015 and December 31, 2014, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately \$4.0 million and \$6.0 million, respectively. Unrecognized tax benefits totaled \$6.6 million and \$7.2 million as of September 30, 2015 and December 31, 2014, respectively. The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of September 30, 2015 and December 31, 2014 the Company had accrued approximately \$1.5 million and \$2.7 million for interest and penalties, respectively.

11. Inventories

Net inventories as of September 30, 2015 and December 31, 2014 are summarized in the table below:

	September 30,	December 31,
	2015	2014
(Dollars in millions)		
Raw materials	\$ 158.3	\$ 191.1
Work in process	15.3	2.6
Finished goods	93.1	103.6
	\$ 266.7	297.3
Less revaluation to LIFO	58.0	56.1
Net	\$ 208.7	\$ 241.2

12. Property, Plant and Equipment

Property, plant and equipment as of September 30, 2015 and December 31, 2014 are summarized in the table below:

	September 30,	December 31,
	2015	2014
(Dollars in millions)		
Land	\$ 17.6	\$ 18.7
Buildings	40.4	45.3
Machinery and equipment	681.7	678.6
	\$ 739.7	\$ 742.6
Less accumulated depreciation	450.3	442.9
Net	\$ 289.4	\$ 299.7

Impairments – Impairment charges for the nine month period ended September 30, 2015 were \$2.5 million and were related to the Railroad and Utility Products and Services wood treating plant in Green Spring, West Virginia. This impairment charge was calculated using a probability-weighted discounted cash flow model.

The 2014 impairment of the Company's coal tar distillation plant in Tangshan, China was due to the impending forced closure of a neighboring third party owned metallurgical coke facility. The adjacent coke battery is expected to cease production sometime within the next eight to twelve months. The Company's 60-percent owned subsidiary, Koppers (China) Carbon & Chemical Company Limited ("KCCC") is located near the coke facility and relies on its operations for a significant portion of raw material supply, utilities and other shared services. Closure of the coke batteries directly impacts KCCC's ability to operate its coal tar distillation plant and the Company has determined that it is unable to continue coal tar distillation activities at the site once the neighboring coke battery ceases production activities. As of September 30, 2015, all fixed assets directly related to the facility have been substantially depreciated.

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 employees have been closed to new participants and a number of plans, including most plans for hourly employees, have been frozen or are scheduled to be frozen in the next year. 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.

The following table provides the components of net periodic benefit cost for the pension plans and other benefit plans for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2014		2014	
(Dollars in millions)				
Service cost	\$ 0.5	\$ 0.7	\$ 1.5	\$ 1.9
Interest cost	2.7	2.8	8.1	8.8
Expected return on plan assets	(3.0)	(3.5)	(9.0)	(10.5)
Amortization of prior service cost	(0.1)	0.0	(0.2)	(0.1)
Amortization of net loss	1.7	1.0	5.0	3.0
Net periodic benefit cost	\$ 1.8	\$ 1.0	\$ 5.4	\$ 3.1
Defined contribution plan expense ^(a)	\$ 2.1	\$ 1.3	\$ 4.2	\$ 4.5

(a) The nine months ended September 30, 2015 includes reversal of 2014 discretionary 401k match accrual of \$2.2 million.

14. Debt

Debt at September 30, 2015 and December 31, 2014 was as follows:

	Weighted		September 30, December 31,	
	Average	Maturity	2015	2014
(Dollars in millions)				
Term Loan	3.57%	2019	\$ 270.0	\$ 292.5
Revolving Credit Facility	3.57%	2019	138.9	204.5
Construction and other loans	5.14%	2018	56.8	56.5
Senior Notes	7 ⁷ / ₈ %	2019	297.4	297.0
Total debt			763.1	850.5
Less short term debt and current maturities of				
long-term debt			45.1	43.9
Long-term debt			\$ 718.0	\$ 806.6

Revolving Credit Facility

On August 15, 2014, Koppers Inc. replaced its \$350.0 million revolving credit facility with a new \$500.0 million senior secured revolving credit facility and a \$300.0 million senior secured term loan to finance its acquisition of the Osmose Entities (the “Senior Secured Credit Facilities”). Both borrowings mature on August 15, 2019. The interest rates on the new borrowings are variable and are based on LIBOR. The initial interest rate on the borrowings at August 15, 2014 was 3.25 percent. The senior secured term loan has quarterly principal repayment obligations of 2.5 percent of the original principal amount borrowed, or \$7.5 million.

Borrowings under the revolving credit facility and term loan 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 and term loan contain 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.

The Company entered into an amendment of the revolving credit facility dated June 30, 2015 which excludes dividends paid by Koppers Holdings Inc. from the calculation of fixed charges under the fixed charge coverage ratio. Koppers Holdings last paid a dividend in January 2015. In the event that Koppers Holdings pays any dividends subsequent to September 30, 2015, all dividends paid by Koppers Holdings during any period of determination will be included in the calculation of fixed charges under the fixed charge coverage ratio.

As of September 30, 2015, the Company had \$105.3 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments and other covenants. As of September 30, 2015, \$47.5 million of commitments were utilized by outstanding letters of credit.

Construction Loans

On November 18, 2013, 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 Koppers Inc. revolving credit facility. The committed facilities were used to finance the costs related to the construction of the coal tar distillation plant in Pizhou, Jiangsu province in China.

The facilities are variable rate and one of the loans totaling \$31.2 million has certain financial covenants that monitor minimum net worth and leverage. Due to a delay in the completion of an adjacent carbon black and needle coke facility owned by Nippon Steel and Sumikan Chemical which will purchase a significant portion of the products produced by KJCC, KJCC is not expected to be in compliance with the financial covenants on this loan at December 31, 2015. We are currently negotiating a refinancing of the loan with the lender which will include amended financial covenants as of December 31, 2015. We believe that we will be able to complete this refinancing by December 31, 2015. If we are not able to either complete this refinancing or obtain a waiver on the violation of the financial covenants, the lender could demand immediate payment of the full amount of the outstanding loan which is secured by a letter of credit from our revolving credit facility.

KJCC will repay the loans in six installments every six months starting in May 2016 with a final repayment on November 18, 2018, the maturity date of the loans.

Senior Notes

The Koppers Inc. 7⁷/₈ percent Senior Notes due 2019 (the “Senior Notes”) were issued on December 1, 2009 at an offering price of 98.311 percent of face value, or \$294.9 million and have a principal amount at maturity of \$300.0 million. The Senior Notes have an effective interest rate yield of 8¹/₈ percent per annum. The Senior Notes are our senior obligations, are fully and unconditionally guaranteed by Koppers Holdings Inc. and certain of our wholly-owned domestic subsidiaries, and, as of August 15, 2014, are secured equally and ratably with the obligations under our Senior Secured Credit Facilities.

Interest on the Senior Notes is payable semiannually on December 1 and June 1 each year. On or after December 1, 2015, the Company is entitled to redeem all or a portion of the Senior Notes at a redemption price of 102.625 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value on December 1, 2017.

The indenture governing the 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.

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; and cleaning costs for leased rail cars and barges. The following table reflects changes in the carrying values of asset retirement obligations:

	September 30, December 31,	
	2015	2014
(Dollars in millions)		
Asset retirement obligation at beginning of year	\$ 30.5	\$ 23.2
Acquisition	0.8	0.0
Accretion expense	3.1	2.3
Revision in estimated cash flows	8.3	10.3
Cash expenditures	(5.5)	(4.6)
Currency translation	(0.5)	(0.7)
Balance at end of period	\$ 36.7	\$ 30.5

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. In addition, the Company received an advance payment in 2015 related to an amendment to a 50-year supply agreement with a customer in China. The deferred revenue associated with this amendment will be amortized over the life of the underlying contract. The following table reflects changes in the carrying values of deferred revenue:

	September 30, December 31,	
	2015	2014
(Dollars in millions)		
Balance at beginning of year	\$ 2.5	\$ 3.2
Advance payment	30.0	0.0
Revenue earned	(1.6)	(0.7)
Balance at end of period	\$ 30.9	\$ 2.5

Deferred revenue classified in other long-term liabilities in the consolidated balance sheet totaled \$29.9 million as of September 30, 2015.

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 30 months. The Company enters into foreign currency forward contracts to manage foreign currency risk associated with the

Company's receivable and payable balances. 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 commodity swaps as cash flow hedges of forecasted purchases of commodities. 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 (loss) 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 not material for any period presented.

For those commodity swaps which are not designated as cash flow hedges, the fair value of the commodity 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 September 30, 2015, the Company has outstanding copper swap contracts designated as cash flow hedges totaling 15.7 million pounds and the fair value of these swap contracts was \$(9.3) million which is classified in accrued liabilities in the consolidated balance sheet. The amount of loss recognized in other comprehensive loss totaled \$5.5 million, net of tax, at September 30, 2015 and the amount charged to expense related to ineffectiveness totaled \$0.4 million for the three and nine months ended September 30, 2015. In the next twelve months the Company estimates that \$4.9 million of unrealized losses, net of tax, related to commodity price hedging will be reclassified from other comprehensive loss into earnings.

As of September 30, 2015, the Company had outstanding copper swap contracts not designated as cash flow hedges totaling 2.0 million pounds and the fair value of these swap contracts was \$(0.1) million which is classified in accrued liabilities in the consolidated balance sheet. The amount of loss recognized in earnings from changes in the fair value of these copper swap contracts totaled \$0.1 million for the three and nine months ended September 30, 2015.

Forward contracts related to foreign currency are not designated as hedges and fair value changes in these contracts are immediately charged to earnings and are classified in cost of sales in the condensed consolidated statement of income. As of September 30, 2015, the Company has outstanding foreign currency forward contracts with a net fair value totaling \$3.6 million, consisting of a gross derivative asset of \$5.7 million and a gross derivative liability of \$2.1 million. The net currency units outstanding at September 30, 2015 were British Pound of GBP 23.6 million, New Zealand Dollar of NZD 36.1 million, Canadian Dollar of CAD 8.0 million and United States Dollar of USD 72.1 million.

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 were 110 plaintiffs in 59 cases pending as of September 30, 2015, compared to 112 plaintiffs in 60 cases pending as of December 31, 2014. As of September 30, 2015, there are a total of 58 cases pending in state court in Pennsylvania, and one case pending in state court in Tennessee. Koppers Inc. has been dismissed from three cases formerly pending in state court in Arkansas.

The plaintiffs in all 59 pending cases seek to recover compensatory damages, while plaintiffs in 54 cases also seek to recover punitive damages. The plaintiffs in the 58 cases filed in Pennsylvania state court seek unspecified damages in excess of the court's minimum jurisdictional limit. Each of the plaintiffs 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"), United States Steel Corporation, Honeywell International Inc., Vertellus Specialties Inc., Dow Chemical Company, UCAR Carbon Company, Inc., Exxon Mobil Corporation, SGL Carbon Corporation and Alcoa, Inc. 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 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, Inc. in 2010.

In November 2010, a class action complaint was filed in the Circuit Court of the Eighth Judicial Circuit located in Alachua County, Florida 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. In a second amended complaint, plaintiffs defined the putative class as consisting of all persons who are present record owners of residential real properties located in an area within a two-mile radius of the former Gainesville wood treating plant. Plaintiffs further allege that chemicals and contaminants from the Gainesville plant have contaminated real properties within the two mile geographical area, have caused property damage (diminution in value) and have placed residents and owners of the putative class properties at an elevated risk of exposure to and injury from the chemicals at issue. The second amended complaint seeks damages for diminution in property values, the establishment of a medical monitoring fund and punitive damages.

The case was removed to the United States District Court for the Northern District of Florida in December 2010. The district court dismissed Koppers Holdings Inc. in September 2013 on the ground that there was no personal jurisdiction. Plaintiffs' appeal of the dismissal of Koppers Holdings Inc. was dismissed in December 2013. Under the current scheduling order, class factual discovery closed on May 20, 2015, with expert witness discovery to follow. Discovery on the merits is stayed until further order of the court.

Expert witness discovery was completed on August 30, 2015, and both sides filed motions to strike or limit the testimony of the other side's experts. Those motions are now pending before the court. Plaintiffs filed a motion for class certification on September 30, 2015. The response of Koppers Inc. was filed on October 30, 2015. In the motion, plaintiffs seek a class comprised of all current property owners of single family residential properties within a polygon-shaped area extending approximately two miles from the former plant area (which area encompasses approximately 7,000 owners).

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 Koppers Inc. 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.

Virgin Islands. Koppers Performance Chemicals Inc. ("KPC") is a defendant in a putative class action lawsuit filed in the United States District Court of the Virgin Islands. The plaintiffs claim, on behalf of themselves and others similarly situated, that KPC's wood preservative products and formulas are defective, and the complaint alleges the following causes of action: breach of contract, negligence, strict liability, fraud and violation of Virgin Islands Consumer Fraud and Deceptive Business Practices statute. The putative class is defined as all users (residential or commercial) of wood products treated with KPC wood preserving products in the United States who purchased such wood products from January 1, 2004 to the present. Alternatively, plaintiffs allege that the putative class should be all persons and entities that have owned or acquired buildings or other structures physically located in the U.S. Virgin

Islands that contain wood products treated with KPC wood preserving products from January 1, 2004 to the present. The complaint alleges plaintiffs are entitled to unspecified “economic and compensatory damages”, punitive damages, costs and disgorgement of profits. The complaint further requests a declaratory judgment and injunction to establish an inspection and disposal program for class members’ structures.

The lawsuit was filed on July 16, 2014, and KPC filed a motion to dismiss. On September 28, 2015, the district court denied without prejudice KPC’s motion to dismiss, finding that plaintiffs thus far have failed to demonstrate its case for personal jurisdiction over KPC in the Virgin Islands. The court has granted plaintiffs a limited period through November 6, 2015 for discovery on specific jurisdictional issues after which it will reconsider KPC’s motion to dismiss. 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 KPC 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"). In 1998, the parent company of Beazer East purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by Koppers Inc.) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re. Beazer East is a wholly-owned, indirect subsidiary of Heidelberg Cement AG.

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, 2014, amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately \$13 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. currently maintains 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, a separate natural resources damages assessment ("NRDA") is being conducted by a local trustee group. The NRDA is intended to identify further information necessary to estimate liabilities for remediation based 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 cost.

In March 2012, a draft Feasibility Study ("FS") was submitted to EPA by the Lower Willamette Group, a group of certain PRPs which has been conducting the investigation of the site. The draft FS identifies ten possible remedial alternatives which range in cost from approximately \$170 million to \$1.8 billion. The FS does not determine who is responsible for remediation costs or select remedies. The FS is under review by the EPA which will issue a final decision on the nature and extent of the final remediation. 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.

Other than the estimated costs of participating in the PRP group at the Portland Harbor and Newark Bay CERCLA sites totaling \$0.9 million at September 30, 2015, the Company has not provided a reserve for these matters because there has not been a determination of the total cost of the investigations, the remediation that will be required, the amount of natural resources damages or how those costs will be allocated among the PRPs. Accordingly, the Company believes that it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. 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 the Osmose Entities, 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. Osmose Holdings, Inc. has provided an indemnity of up to \$5 million for certain environmental response costs incurred prior to August 15, 2017 (the "Osmose Indemnity"). As of September 30, 2015, the Company's estimated environmental remediation liability for these acquired sites totals \$5.2 million. The Company has also recorded a receivable under the Osmose Indemnity of \$0.3 million related to these acquired sites.

As of September 30, 2015, the Company has recorded monetary sanctions of \$0.2 million associated with federal environmental regulations related to Spill Prevention, Control and Countermeasure Plans. The Company was assessed a penalty by the U.S. Environmental Protection Agency after a review of the Company's implementation timing of its storage tank inspection plan.

Foreign Environmental Matters. Soil and groundwater contamination has been detected at certain of the Company's Australian facilities. At the Company's tar distillation facility in Newcastle, New South Wales, Australia, soil contamination from an abandoned underground coal tar pipeline and other groundwater contamination have been detected at a property adjacent to the facility. In 2011, the Company and the owner of the adjacent property reached an agreement in which the Company will contribute \$1.6 million and the owner of the adjacent property will contribute \$7.5 million toward remediation of the property. The agreement provides that the Company will assume responsibility for the management of the remediation effort and will indemnify the current owner for any remediation costs in excess of its agreed contribution. At the completion of the remediation, the agreement provides that the property will be transferred to the Company. The remediation project commenced in 2011 and the Company has reserved its expected remaining remediation costs of \$0.6 million as of September 30, 2015.

In connection with Koppers Inc.'s acquisition of the Osmose Entities, there are three 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 September 30, 2015, the Company's estimated environmental remediation liability for these acquired sites totals \$8.1 million. The Company has also recorded a receivable under the Osmose Indemnity of \$1.6 million related to these acquired sites.

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 \$3.5 million as of September 30, 2015.

Environmental Reserves Rollforward. The following table reflects changes in the accrued liability for environmental matters, of which \$7.1 million and \$3.3 million are classified as current liabilities at September 30, 2015 and December 31, 2014, respectively:

	Period ended	
	September 30, 2015	
	December 31, 2014	
	2015	2014
(Dollars in millions)		
Balance at beginning of year	\$7.8	\$ 11.9
Expense	0.6	0.8
Reversal of reserves	(0.1)	(1.5)
Cash expenditures	(0.8)	(3.7)
Acquisition of Osmose Entities	13.6	0.7
Currency translation	(1.1)	(0.4)
Balance at end of period	\$20.0	\$ 7.8

19. Subsidiary Guarantor Information for Koppers Inc. Senior Notes

On December 1, 2009, Koppers Inc. issued \$300.0 million principal value of Senior 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 Senior Notes. The domestic guarantor subsidiaries include Koppers World-Wide Ventures Corporation, Koppers Delaware, Inc., Koppers Concrete Products, Inc., Concrete Partners, Inc., and Koppers Asia LLC. Non-guarantor subsidiaries are owned directly 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 Senior Notes; and
- § the legal defeasance, covenant defeasance or satisfaction and discharge of the indenture governing the Senior Notes.

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. Koppers Inc.'s credit agreement prohibits it from making dividend payments to Koppers Holdings Inc. unless (1) such dividend payments are permitted by the indenture governing Koppers Inc.'s Senior Notes and (2) no event of default or potential default has occurred or is continuing under the credit agreement. The indenture governing Koppers Inc.'s Senior Notes restricts its ability to finance Koppers Holdings Inc.'s payment of dividends if (1) a default has occurred or would result from such financing, (2) a restricted subsidiary of Koppers Inc. which is not a guarantor under the indenture is not able to incur additional indebtedness (as defined in the indenture), and (3) the sum of all restricted payments (as defined in the indenture) have exceeded the permitted amount (referred to as the "basket") at such point in time.

The Koppers Inc. revolving credit facility agreement provides for a revolving credit facility of up to \$500.0 million and a term loan of up to \$300 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.

The amount of restricted net assets unavailable for distribution to Koppers Holdings Inc. by Koppers Inc. totals \$45 million as of September 30, 2015. Cash dividends paid to Koppers Holdings Inc. by its subsidiaries totaled \$6.2 million and \$17.8 million for the nine months ended September 30, 2015 and 2014, respectively.

Condensed Consolidating Statement of Operations

For the Three Months Ended September 30, 2015

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
Net sales	\$ 0.0	\$ 216.7	\$ 88.7	\$ 157.9	\$ (29.5)	\$ 433.8
Cost of sales including depreciation						
and amortization	0.0	197.6	68.4	139.9	(29.9)	376.0
Selling, general and administrative	0.4	9.6	10.3	10.5	0.0	30.8
Operating (loss) profit	(0.4)	9.5	10.0	7.5	0.4	27.0
Other income (loss)	0.0	(2.6)	1.3	1.8	(0.5)	0.0
Equity income of subsidiaries	10.6	16.8	4.8	0.0	(32.2)	0.0
Interest (income) expense	0.0	11.5	0.0	1.6	(0.5)	12.6
Income taxes	0.1	1.6	0.3	3.2	0.0	5.2
Income from continuing operations	10.1	10.6	15.8	4.5	(31.8)	9.2
Discontinued operations	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Noncontrolling interests	0.0	0.0	0.0	(1.0)	0.0	(1.0)
Net income attributable to Koppers	\$ 10.1	\$ 10.6	\$ 15.8	\$ 5.4	\$ (31.8)	\$ 10.1
Comprehensive income (loss)						
attributable to Koppers	\$ (3.5)	\$ (3.0)	\$ 1.2	\$ (7.9)	\$ 9.7	\$ (3.5)

Condensed Consolidating Statement of Operations

For the Three Months Ended September 30, 2014

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
Net sales	\$ 0.0	\$ 220.5	\$ 53.5	\$ 189.6	\$ (22.3)	\$ 440.1
Cost of sales including depreciation						
and amortization	0.0	194.8	43.1	175.8	(22.9)	390.8
Selling, general and administrative	0.3	16.8	5.1	9.8	0.0	32.0
Operating (loss) profit	(0.3)	8.9	5.1	4.0	(0.4)	17.3

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Other income (loss)	0.0	0.0	1.3	(0.3)	(1.2)	(0.2)
Equity income of subsidiaries	(2.6)	6.5	0.3	0.0	(4.2)	0.0
Interest expense	0.0	11.4	0.0	1.7	(1.2)	11.9
Income taxes	(0.2)	6.6	0.2	2.9	0.0	9.5
(Loss) income from continuing operations	(2.7)	(2.6)	6.5	(0.9)	(4.6)	(4.3)
Discontinued operations	0.0	0.0	0.0	0.1	0.0	0.1
Noncontrolling interests	0.0	0.0	0.0	(1.5)	0.0	(1.5)
Net income attributable to Koppers	\$(2.7)	\$(2.6)	\$ 6.5	\$ 1.6	\$ (4.6)	\$ (2.7)
Comprehensive income (loss)						
attributable to Koppers	\$(18.6)	\$(18.4)	\$ (10.1)	\$ (9.6)	\$ 38.1	\$ (18.6)

Condensed Consolidating Statement of Operations

For the Nine Months Ended September 30, 2015

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
Net sales	\$ 0.0	\$ 613.7	\$ 260.4	\$ 467.1	\$ (78.0)	\$ 1,263.2
Cost of sales including depreciation						
and amortization	0.0	583.2	200.0	405.0	(76.5)	1,111.7
Gain on sale of business	0.0	(3.2)	0.0	0.0	0.0	(3.2)
Selling, general and administrative	1.5	31.8	28.9	31.5	0.0	93.7
Operating (loss) profit	(1.5)	1.9	31.5	30.6	(1.5)	61.0
Other income (loss)	0.0	0.5	3.3	(1.8)	(1.6)	0.4
Equity income of subsidiaries	16.7	48.7	14.5	0.0	(79.9)	0.0
Interest expense	0.0	34.6	0.0	5.5	(1.6)	38.5
Income taxes	(0.5)	(0.2)	0.6	10.1	0.0	10.0
Income from continuing operations	15.7	16.7	48.7	13.2	(81.4)	12.9
Discontinued operations	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Noncontrolling interests	0.0	0.0	0.0	(2.9)	0.0	(2.9)
Net income attributable to Koppers	\$ 15.7	\$ 16.7	\$ 48.7	\$ 16.0	\$ (81.4)	\$ 15.7
Comprehensive income (loss)						
attributable to Koppers	\$ (4.8)	\$ (3.8)	\$ 25.8	\$ (3.3)	\$ (18.7)	\$ (4.8)

Condensed Consolidating Statement of Operations

For the Nine Months Ended September 30, 2014

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
Net sales	\$ 0.0	\$ 600.5	\$ 71.2	\$ 501.0	\$ (44.4)	\$ 1,128.3
Cost of sales including depreciation						
and amortization	0.0	539.7	52.3	474.1	(44.2)	1,021.9
Selling, general and administrative	1.3	44.6	5.7	23.7	0.0	75.3

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Operating (loss) profit	(1.3)	16.2	13.2	3.2	(0.2)	13.8
Other income (loss)	0.0	0.1	3.1	(0.2)	(3.3)	(0.3)
Equity income (loss) of subsidiaries	1.9	16.1	(6.7)	0.0	(11.3)	0.0
Interest expense	0.0	24.7	0.0	3.9	(3.3)	25.3
Income taxes	(0.5)	5.8	(5.7)	9.5	0.0	9.1
Income (loss) from continuing						
operations	1.1	1.9	15.3	(10.4)	(11.5)	(3.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Noncontrolling interests	0.0	0.0	0.0	(4.7)	0.0	(4.7)
Net income (loss) attributable to						
Koppers	\$ 1.1	\$ 1.9	\$ 15.3	\$ (5.7)	\$ (11.5)	\$ 1.1
Comprehensive income (loss)						
attributable to Koppers	\$ (9.2)	\$ (8.3)	\$ 3.5	\$ (14.7)	\$ 19.5	\$ (9.2)

Condensed Consolidating Balance Sheet

September 30, 2015

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
ASSETS						
Cash and cash equivalents	\$ 0.0	\$ 0.1	\$ 0.4	\$ 32.5	\$ 0.0	\$ 33.0
Receivables, net	0.5	79.8	27.7	90.5	0.0	198.5
Affiliated receivables	0.0	11.1	8.0	13.4	(32.5)	0.0
Inventories, net	0.0	96.9	25.5	88.6	(2.3)	208.7
Deferred tax assets	0.0	9.0	0.2	4.2	0.0	13.4
Other current assets	0.0	6.2	3.6	38.9	0.0	48.7
Total current assets	0.5	203.1	65.4	268.1	(34.8)	502.3
Equity investments	67.6	794.8	203.7	1.4	(1,066.7)	0.8
Property, plant and equipment, net	0.0	120.1	41.8	127.5	0.0	289.4
Goodwill	0.0	43.9	153.1	55.6	0.0	252.6
Intangible assets, net	0.0	9.1	120.0	29.8	0.0	158.9
Deferred tax assets	0.0	(2.9)	4.9	6.3	0.0	8.3
Affiliated loan receivables	0.0	32.1	266.4	42.3	(340.8)	0.0
Other noncurrent assets	0.0	18.2	4.8	2.1	0.0	25.1
Total assets	\$ 68.1	\$ 1,218.4	\$ 860.1	\$ 533.1	\$ (1,442.3)	\$ 1,237.4
LIABILITIES AND EQUITY						
Accounts payable	\$ 0.1	\$ 74.4	\$ 25.4	\$ 51.7	\$ 0.0	\$ 151.6
Affiliated payables	0.0	14.9	8.6	17.1	(40.6)	0.0
Accrued liabilities	0.0	41.4	23.0	33.3	0.0	97.7
Short-term debt and current portion						
of long-term debt	0.0	30.3	0.0	14.8	0.0	45.1
Total current liabilities	0.1	161.0	57.0	116.9	(40.6)	294.4
Long-term debt	0.0	676.3	0.0	41.7	0.0	718.0
Affiliated debt	0.0	247.0	32.0	61.8	(340.8)	0.0
Other long-term liabilities	0.0	65.7	13.0	71.0	0.0	149.7
Total liabilities	0.1	1,150.0	102.0	291.4	(381.4)	1,162.1
Koppers shareholders' equity	68.0	68.4	758.1	234.4	(1,060.9)	68.0
Noncontrolling interests	0.0	0.0	0.0	7.3	0.0	7.3
Total liabilities and equity	\$ 68.1	\$ 1,218.4	\$ 860.1	\$ 533.1	\$ (1,442.3)	\$ 1,237.4

Condensed Consolidating Balance Sheet

December 31, 2014

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
ASSETS						
Cash and cash equivalents	\$ 0.0	\$ 0.0	\$ 0.9	\$ 50.2	\$ 0.0	\$ 51.1
Receivables, net	0.0	75.7	20.0	103.0	0.0	198.7
Affiliated receivables	0.8	4.5	9.3	1.3	(15.9)	0.0
Inventories, net	0.0	108.8	30.8	102.6	(1.0)	241.2
Deferred tax assets	0.0	8.0	1.0	1.5	0.0	10.5
Other current assets	0.0	3.0	2.2	34.6	0.0	39.8
Total current assets	0.8	200.0	64.2	293.2	(16.9)	541.3
Equity investments	74.5	767.2	213.5	3.6	(1,053.8)	5.0
Property, plant and equipment, net	0.0	121.2	43.1	135.4	0.0	299.7
Goodwill	0.0	39.8	149.9	57.5	0.0	247.2
Intangible assets, net	0.0	2.2	128.1	37.4	0.0	167.7
Deferred tax assets	0.0	(1.0)	1.1	7.7	0.0	7.8
Affiliated loan receivables	0.0	40.5	212.0	40.9	(293.4)	0.0
Other noncurrent assets	0.0	19.1	5.2	0.9	0.0	25.2
Total assets	\$ 75.3	\$ 1,189.0	\$ 817.1	\$ 576.6	\$ (1,364.1)	\$ 1,293.9
LIABILITIES AND EQUITY						
Accounts payable	\$ 0.1	\$ 60.9	\$ 9.0	\$ 50.6	\$ 0.0	\$ 120.6
Affiliated payables	0.0	13.2	2.7	13.5	(29.4)	0.0
Accrued liabilities	5.2	37.9	29.5	55.0	0.0	127.6
Short-term debt and current portion of						
long-term debt	0.0	30.0	0.0	13.9	0.0	43.9
Total current liabilities	5.3	142.0	41.2	133.0	(29.4)	292.1
Long-term debt	0.0	764.0	0.0	42.6	0.0	806.6
Affiliated debt	0.0	145.5	35.9	112.0	(293.4)	0.0
Other long-term liabilities	0.0	68.6	7.7	35.0	0.0	111.3
Total liabilities	5.3	1,120.1	84.8	322.6	(322.8)	1,210.0
Koppers shareholders' equity	70.0	68.9	732.3	240.1	(1,041.3)	70.0
Noncontrolling interests	0.0	0.0	0.0	13.9	0.0	13.9
Total liabilities and equity	\$ 75.3	\$ 1,189.0	\$ 817.1	\$ 576.6	\$ (1,364.1)	\$ 1,293.9

Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2015

	Koppers		Domestic			
	Parent	Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
(Dollars in millions)						
Cash provided by (used in) operating						
activities	\$ 5.4	\$ 10.7	\$ 58.2	\$ 29.9	\$ (9.1)	\$ 95.1
Cash provided by (used in) investing						
activities:						
Capital expenditures and						
acquisitions	0.0	(32.5)	(4.1)	(5.1)	0.0	(41.7)
Repayments (loans to) from						
affiliates	0.0	3.8	(49.9)	(1.4)	47.5	0.0
Net cash proceeds (payments)						
from divestitures and asset sales	0.0	12.4	2.2	0.1	00.0	14.7
Net cash (used in) provided by						
investing activities	0.0	(16.3)	(51.8)	(6.4)	47.5	(27.0)
Cash provided by (used in) financing						
activities:						
(Repayments) borrowings of						
long-term debt	0.0	(87.8)	0.1	1.4	0.0	(86.3)
Borrowings (repayments) of						
affiliated debt	0.0	100.6	(3.9)	(49.2)	(47.5)	00.0
Deferred financing costs	0.0	(1.0)	0.0	0.0	0.0	(1.0)
Other financing activities	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	(5.1)	(6.2)	(3.1)	(3.4)	9.1	(8.7)
Stock repurchased	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Net cash used in financing						
activities	(5.4)	5.6	(6.9)	(51.2)	(38.4)	(96.3)
Effect of exchange rates on cash	0.0	0.1	0.0	10.0	0.0	10.1
Net increase (decrease) in cash and	0.0	0.1	(0.5)	(17.7)	0.0	(18.1)

cash equivalents						
Cash and cash equivalents at						
beginning of year	0.0	0.0	0.9	50.2	0.0	51.1
Cash and cash equivalents at end of						
period	\$ 0.0	\$ 0.1	\$ 0.4	\$ 32.5	\$ 0.0	\$ 33.0

Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2014

	Domestic					
	Koppers		Guarantor	Non-Guarantor	Consolidating	
	Parent	Inc.	Subsidiaries	Subsidiaries	Adjustments	Consolidated
(Dollars in millions)						
Cash provided by (used in) operating						
activities	\$ 16.5	\$ (0.9)	\$ 26.4	\$ (4.5)	\$ (26.7)	\$ 10.8
Cash provided by (used in) investing						
activities:						
Capital expenditures and						
acquisitions	0.0	(508.0)	(15.1)	(47.2)	14.8	(555.5)
(Loans to) repayments from						
affiliates	0.0	(24.4)	(33.9)	(0.5)	58.8	0.0
Net cash proceeds from divestitures and						
asset sales	0.0	0.1	0.0	0.0	0.0	0.1
Net cash (used in) provided by						
investing activities	0.0	(532.3)	(49.0)	(47.7)	73.6	(555.4)
Cash provided by (used in) financing						
activities:						
Borrowings (repayments) of						
long-term debt	0.0	514.9	0.0	48.9	0.0	563.8
Borrowings (repayments) of						
affiliated debt	0.0	17.5	24.3	17.0	(58.8)	0.0
Other financing activities	0.0	0.0	0.0	1.4	0.0	1.4
Dividends paid	(15.2)	(17.8)	0.0	(8.9)	26.7	(15.2)
Stock (repurchased) issued	(1.3)	0.0	0.0	14.8	(14.8)	(1.3)
Net cash (used in) provided by						
financing activities	(16.5)	503.5	24.3	73.2	(46.9)	537.6
Effect of exchange rates on cash	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Net (decrease) increase in cash and						
cash equivalents	0.0	(29.7)	1.7	20.9	0.0	(7.1)
Cash and cash equivalents at	0.0	29.9	0.1	52.2	0.0	82.2

beginning of year						
Cash and cash equivalents at end of						
period	\$0.0	\$0.2	\$ 1.8	\$ 73.1	\$ 0.0	\$ 75.1

20. Related Party Transactions

The Company has loaned \$9.5 million to TKK, a 30-percent owned company in China. The loan is repayable in six equal installments beginning in June 2015. TKK defaulted on the first installment payment of \$1.6 million due in June 2015 and each monthly payment thereafter. Accordingly, the entire principal amount of the loan is currently due and payable. The Company is engaged in negotiations with TKK's controlling shareholder regarding repayment of the loan in addition to the potential sale of the Company's 30-percent interest in TKK. In addition to recognizing the Company's share of TKK's equity losses for the three and nine months ended September 30, 2015, the Company incurred a \$0.4 million charge in September 2015 to write down its investment to TKK to \$0.8 million, which represents management's estimated net realizable value of its ownership interest in TKK. As of September 30, 2015, management has concluded that it is probable that the full principal amount of the loan remains collectible, and accordingly, no provision has been recorded.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report and any documents incorporated herein by reference contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and may include, but are not limited to, statements about sales levels, restructuring, profitability and anticipated expenses and cash outflows. All forward-looking statements involve risks and uncertainties. All statements contained herein that are not clearly historical in nature are forward-looking, and words such as “believe,” “anticipate,” “expect,” “estimate,” “may,” “will,” “should,” “continue,” “plans,” “likely,” or other similar words or phrases are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or documents filed with the Securities and Exchange Commission, or in Koppers communications with and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding expectations with respect to sales, earnings, cash flows, operating efficiencies, product introduction or expansion, the benefits of acquisitions and divestitures or other matters as well as financings and repurchases of debt or equity securities, are subject to known and unknown risks, uncertainties and contingencies. Many of these risks, uncertainties and contingencies are beyond our control, and may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward-looking statements, include, among other things, Koppers’ ability to successfully integrate the wood preservatives business and/or the railroad services business of Koppers Performance Chemicals and Koppers Railroad Structures (the “Acquired Businesses”); integration of these Acquired Businesses may take longer to accomplish than expected; the expected cost savings and any synergies from the Acquired Businesses may not be fully realized within the expected timeframes; disruption from the acquisition of the Acquired Businesses may make it more difficult to maintain relationships with clients, associates or suppliers; the impact of changes in commodity prices, such as oil and copper, on product margins; general economic and business conditions; demand for Koppers goods and services; competitive conditions; interest rate and foreign currency rate fluctuations; availability of key raw materials and unfavorable resolution of claims against us, as well as those discussed more fully elsewhere in this report and in documents filed with the Securities and Exchange Commission by Koppers, particularly our latest annual report on Form 10-K and subsequent filings. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report and the documents incorporated by reference herein may not in fact occur. Any forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited financial statements and related notes included in Item 1 of this Part I as well as the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

We are a leading integrated global provider of carbon compounds, chemicals and treated wood products and services. Our products and services are used in a variety of niche applications in a diverse range of end-markets, including the aluminum, railroad, specialty chemical, utility, rubber, concrete, steel, residential lumber and agricultural industries. We serve our customers through a comprehensive global manufacturing and distribution network, with manufacturing facilities located in North America, Australasia, China and Europe.

We operate three principal businesses: Carbon Materials and Chemicals (“CMC”), Railroad and Utility Products and Services (“RUPS”) and Performance Chemicals (“PC”).

Through our CMC business, we process coal tar into a variety of products, including carbon pitch, creosote, carbon black feedstock, naphthalene and phthalic anhydride, which are intermediate materials necessary in the production of aluminum, the pressure treatment of wood, the production of carbon black, the production of high-strength concrete, and the production of plasticizers and specialty chemicals, respectively. Through our RUPS business, we believe that we are the largest supplier of railroad crossties to the North American railroads. Our other treated wood products include utility poles for the electric and telephone utility industries in Australia. We also provide rail joint bar products as well as various services to the railroad industry. Through our PC business, we believe that we are the global leader in developing, manufacturing and marketing wood preservation chemicals and wood treatment technologies for use in pressure treating lumber for residential, industrial and agricultural applications.

On July 10, 2015, our 50 percent owned company, KSA Limited Partnership, sold substantially all of its assets. KSA Limited Partnership is a manufacturer of concrete railroad cross ties. The transaction did not have a material impact on our results for the third quarter of 2015.

On January 16, 2015, we sold our North American utility pole business for cash of \$12.3 million and a promissory note of \$1.3 million.

On January 16, 2015, Koppers Inc. acquired the creosote sales and distribution business of KMG Chemicals, Inc. located in Avondale, Louisiana. The purchase price was \$15.1 million, and was funded primarily by proceeds from the sale of the North American utility pole business. The acquisition further strengthens the Company's position in the North American creosote market.

In August 2015 we discontinued production at our RUPS wood treating plant located in Green Spring, West Virginia. For the three and nine months ended September 30, 2015, closure-related costs such as fixed asset impairment, severance, and cleaning and dismantlement expenses totaled \$2.6 million and \$9.3 million, respectively.

On August 15, 2014, we completed the acquisition of the wood preservation and railroad services businesses (the "Osmose Entities") of Osmose Holdings, Inc. ("Osmose"). The majority of the wood preservation business is now known as Koppers Performance Chemicals and forms our PC segment. We believe that Performance Chemicals is the global leader in developing, manufacturing and marketing wood preservation chemicals and wood treatment technologies. This business has operations and sales in North America, South America, Europe and Australasia. This business serves a diverse range of end-markets including infrastructure, residential and commercial construction, and agriculture.

The railroad services business that we acquired from Osmose is now known as Koppers Railroad Structures and is part of our RUPS segment. We believe that Koppers Railroad Structures is a leading provider of railroad infrastructure services, including bridge inspection, engineering, maintenance and repair, and construction services for the Class I and shortline railroads in North America.

The aggregate cash purchase price for the Osmose Entities was \$494.1 million, less cash acquired of \$27.2 million. The acquisition is expected to add more than \$400 million of sales in 2015 at EBITDA margins that are expected to be above our target level of 12 percent. The financial results from these businesses for the nine months ending September 30, 2015 are consistent with our expectations.

In October 2012 we entered into an agreement with Nippon Steel and Sumikin Chemical ("Nippon") and several other entities to develop and construct a fully integrated coal tar based carbon products complex in Pizhou City, Jiangsu Province, China. The complex includes a 300,000 metric ton tar distillation facility which is majority-owned by Koppers, as well as a carbon black plant and a needle coke plant that is owned by Nippon. A significant portion of the products produced at the tar distillation plant will be sold under a long-term soft pitch supply agreement with Nippon to supply their carbon black and needle coke plants. The construction of the tar distillation plant has been completed. The construction of the carbon black and needle coke plants has also been substantially completed and started to take material from our tar distillation plant on or about August 19, 2015. We will be selling excess production from the new facility into the domestic Chinese market until the carbon black and needle coke facilities are fully operational, which is estimated to occur near the end of 2016.

On July 7, 2015 we announced that KJCC, our 75-percent owned subsidiary, reached an agreement with C-Chem (Jiangsu) Needle Coke Co., Ltd ("C-Chem"), a subsidiary of Nippon to revise certain terms of the previously executed soft pitch supply agreement in exchange for a one-time advance payment of \$30 million. This advance payment is considered deferred revenue to be recognized over the remaining term of the supply contract of approximately 50 years. Another key change to the original supply agreement is a revision of the pricing formula to accommodate the current unfavorable market conditions that C-Chem faces while still allowing for improvements in pricing to KJCC based upon stronger end markets in the future.

Outlook

Trend Overview

Our businesses and results of operations are affected by various competitive and other factors including (i) the influence of global economic conditions on demand for our products, including the impact of imported products from competitors in certain regions where we operate; (ii) raw materials pricing and availability, in particular the cost and availability of hardwood lumber for railroad crossties, and the cost and amount of coal tar available in global markets, which is negatively affected by reductions in steel production and changes in scrap copper prices; (iii) volatility in oil prices, which impacts the cost of coal tar and certain other raw materials, as well as selling prices and margins for certain of our products including carbon black feedstock, phthalic anhydride and naphthalene; (iv) competitive conditions in global carbon pitch markets; and (v) changes in foreign exchange rates.

The availability of coal tar is linked to levels of metallurgical coke production. As the global steel industry has reduced production of steel and metallurgical coke, the volumes of coal tar by-product have also been reduced. Our ability to obtain coal tar and the price we are able to negotiate has a significant impact on the level of profitability of our CMC business. Many of our carbon pitch sales contracts include provisions that allow for price increases based on increases in

the price of raw materials, which has allowed us to generally maintain profit dollars in that product segment of our CMC business. However, significant increases in raw material costs can result in margin dilution if only the increased cost of the raw material is passed on to the customer. Additionally, in certain regions such as China that have competing markets for coal tar, or in regions where the available supply of our products exceeds demand, we may not be able to recover raw material cost increases in the selling prices for our CMC end products.

The primary product produced by CMC is carbon pitch, which is sold primarily to the aluminum industry to be used in the production of carbon anodes. The smelting of aluminum requires significant amounts of energy, which is a major cost component for the aluminum industry. As a result, new production facilities are being built in regions with low energy costs such as the Middle East, while regions with higher energy costs such as the United States, Australia and Western Europe have seen significant amounts of smelting capacity idled or closed over the last several years. Our operations in China have generally had lower profit margins than our operations in the mature regions due to a difficult pricing environment in the Middle East and in China as those regions have experienced an excess supply of pitch.

Our CMC businesses and results of operations have also been negatively affected in recent years as key end markets experienced significant reductions in demand that have negatively affected the profitability for most of our products produced and sold in Europe and North America. The geographic shift in end market demand to the emerging economies over the past several years has resulted in a trend of declining utilization rates in North America and Europe over that same period.

In addition, our CMC businesses and results of operations have been, or may be, negatively affected by closures of metallurgical coke facilities from which we obtain coal tar, the raw material required by CMC. In 2013, we were notified that the metallurgical coke facility adjacent to our coal distillation plant in Tangshan, China would cease production by early 2016. Accordingly, our coal tar distillation facility in Tangshan, China will be ceasing operations at the same time the neighboring coke facility closes. In the third quarter of 2015, three metallurgical coke facilities announced pending closures in the United Kingdom which supply approximately half of our existing coal tar supply to our Port Clarence, United Kingdom coal tar distillation facility.

As a result we have embarked on a plan to restructure our CMC operating footprint that we expect will eventually reduce the number of coal tar distillation facilities serving North America and Europe from the five that were in operation at the end of 2014 to no more than three in total. Effective at the end of 2015, we will curtail coal tar distillation activities at our Follansbee, West Virginia facility. In addition, we are evaluating certain of our commercial agreements with our customers and suppliers as part of our process to bring our distillation capacity more in line with end market demand and raw material supply availability. Although no additional final decisions have been approved, there are expected to be curtailments or closures at our CMC facilities as part of our efforts to reduce our cost structure and improve capacity utilization in our businesses. When approved these decisions may have a material adverse effect on our business, financial condition, cash flows and results of operations.

Several of our CMC products, particularly carbon black feedstock and phthalic anhydride, have end market pricing that is generally linked to oil. Historically, when oil prices increase we have benefited in terms of revenues and profitability from the higher pricing for these products as the cost of coal tar has not increased proportionally with oil. Conversely, the recent significant decline in oil prices has resulted in lower selling prices and significantly lower profitability for carbon black feedstock, phthalic anhydride and naphthalene which is used as a feedstock for phthalic anhydride in the U.S. However, in certain regions our coal tar is also impacted by the price of oil, which has resulted in lower raw material and finished product costs that has partially offset the negative impact from lower product prices.

The primary end-market for RUPS is the North American railroad industry, which has a large installed base of wood crossties that requires periodic replacement. As a result, our sales volumes for crossties and our operating results for this business have historically been relatively stable. However, our railroad business can be negatively affected by weather conditions that make it difficult for sawmills that provide our raw material to harvest timber. Additionally, some of our Class I railroad customers, which make up the largest portion of our business, may reduce inventory levels at certain times to manage working capital, which can adversely affect our volumes and profitability during certain periods.

In the second half of 2013 and first half of 2014 we experienced reduced purchases of untreated crossties due to increased competition from other hardwood lumber products. This competition resulted in higher prices and reduced availability for crossties which resulted in lower crossties sales volumes in 2014. Hardwood availability and crosstie production began to improve in the second half of 2014 and the first half of 2015 and we expect this improvement to continue throughout 2015 and into 2016.

The primary end-market for the wood treating chemicals sold by our PC business is the residential remodeling market, which is influenced by existing home sales and consumer spending on remodeling projects. As most of the products sold by PC are copper-based products, changes in the price and availability of copper can have a significant impact on product pricing and margins.

Seasonality and Effects of Weather on Operations

Our quarterly operating results fluctuate due to a variety of factors that are outside of our control, including inclement weather conditions, which in the past have affected operating results. Operations at some of our facilities have at times been reduced during the winter months. Moreover, demand for some of our products declines during periods of inclement weather. As a result of the foregoing, we anticipate that we may experience material fluctuations in quarterly operating results. Historically, our operating results have been significantly lower in the first and fourth calendar quarters as compared to the second and third calendar quarters.

Results of Operations – Comparison of Three Months Ended September 30, 2015 and 2014

Consolidated Results

Net sales for the three months ended September 30, 2015 and 2014 are summarized by segment in the following table:

	Three Months Ended September 30,		Net Change	
	2015	2014		
(Dollars in millions)				
Carbon Materials and Chemicals	\$ 163.0	\$ 226.6	-28	%
Railroad and Utility Products and Services	177.6	167.4	6	%
Performance Chemicals	93.2	46.1	102	%
	\$ 433.8	\$ 440.1	-1	%

CMC net sales decreased by \$63.6 million or 28 percent compared to the prior year period due mainly to lower sales volumes for carbon pitch and carbon black feedstock combined with lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene which have been impacted by lower oil prices.

Lower carbon materials sales volumes decreased sales by three percent compared to the third quarter of 2014 as carbon pitch sales volumes were lower in the United States and China.

Sales of distillates, specifically creosote and carbon black feedstock, decreased sales by 15 percent compared to the third quarter of 2014 driven by lower sales volumes for carbon black feedstock from Chinese operations combined with lower sales prices for carbon black feedstock due to lower oil prices.

Sales of coal tar chemicals, specifically naphthalene and phthalic anhydride, declined by five percent compared to the prior year period due primarily to decreases in phthalic anhydride sales prices of 16 percent and lower naphthalene sales prices of 40 percent. Lower sales prices for phthalic anhydride and naphthalene were driven by lower oil prices.

Foreign exchange translation resulted in a reduction amounting to six percent of sales compared to the third quarter of 2014.

RUPS net sales increased by \$10.2 million or six percent compared to the prior year period. The sales increase was due primarily to higher sales volumes for railroad crossties combined with incremental sales of \$7.1 million from the

Osmose businesses that are a part of RUPS. The higher sales volumes for crossties were due to strong industry demand combined with inventory restocking by railroad customers who reduced inventory levels over the past couple years due to competitive market conditions for hardwood lumber.

PC net sales increased by \$47.1 million or 102 percent compared to the prior year period. The sales increase was due primarily to the PC business being acquired in August 2014. This segment consists of the wood preservation business that was acquired from Osmose in August 2014. Sales for this business, which produces various copper-based wood preservatives used in decking, fencing and other residential, commercial, and agricultural applications, are driven primarily by residential remodeling and existing home sales. Operating results for PC for the first and fourth quarters are typically lower than results for the second and third quarters due to seasonality related to winter weather conditions.

Cost of sales as a percentage of net sales was 83 percent for the quarter ended September 30, 2015 compared to 86 percent in the prior year quarter due mainly to the acquisition of the higher margin PC business and higher gross margin for RUPS driven by higher sales volumes resulting in improved fixed cost absorption, which more than offset lower gross margin from CMC.

Depreciation and amortization for the quarter ended September 30, 2015 was \$5.7 million higher when compared to the prior year period due mainly to depreciation and amortization for the PC business that was acquired in August 2014 combined with \$3.1 million of accelerated depreciation and asset retirement obligation amortization related to the closure of our wood treating facility in Green Spring, West Virginia.

Selling, general and administrative expenses for the quarter ended September 30, 2015 were \$1.2 million lower when compared to the prior year period due mainly to the one-time acquisition costs related to the purchase of the PC business in August 2014 which more than offset the full quarter of selling, general and administrative expenses in the current period.

Other income (loss) for the quarter ended September 30, 2015 was \$0.0 million compared to \$(0.2) million in the prior year period as licensing royalties received by PC offset equity method losses for CMC related to our TKK facility in China.

Interest expense for the quarter ended September 30, 2015 was \$0.7 million higher than the prior year period as a result of a complete period of higher debt levels due to financing for the acquisition of the Osmose Entities which was closed in August 2014.

Income taxes for the quarter ended September 30, 2015 were \$4.3 million lower when compared to the prior year period due to the favorable impact of a lower effective tax rate and the net favorable impact of discrete tax items partially offset by an increase in pre-tax earnings. The decrease in the effective tax rate on pretax ordinary income and before discrete items to 35.3 percent compared to 94.2 percent in the prior year quarter is attributed to the current year benefits from the legal entity tax restructuring project that was completed in December 2014 along with a decrease in the non-deductible expenses related to the closure of our Netherlands-based coal tar distillation facility which were incurred in 2014. Discrete items included in income taxes for the three months ended September 30, 2015 were a net tax benefit of \$1.2 million which was primarily related to changes in unrecognized tax benefits. Discrete items included in income taxes for the three months ended September 30, 2014 were a net tax benefit of \$0.3 million which was primarily related to changes in unrecognized tax benefits.

Segment Results

Segment operating profit for the three months ended September 30, 2015 and 2014 is summarized by segment in the following table:

	Three Months Ended September 30,		% Change	
	2015	2014		
(Dollars in millions)				
Operating (loss) profit:				
Carbon Materials and Chemicals	\$0.0	\$5.2	-100	%
Railroad and Utility Products and Services	17.7	17.4	2	%
Performance Chemicals	9.7	1.3	646	%
Corporate	(0.4)	(6.6)	-94	%
	\$27.0	\$17.3	56	%
Operating (loss) profit as a percentage of net sales:				
Carbon Materials and Chemicals	0.0 %	2.3 %	-2.3	%
Railroad and Utility Products and Services	10.0%	10.4%	-0.4	%
Performance Chemicals	10.4%	2.8 %	7.6	%
	6.2 %	3.9 %	2.3	%

CMC operating profit decreased by \$5.2 million or 100 percent over the prior year period. Operating profit for the three months ended September 30, 2015 was negatively affected by lower sales prices for phthalic anhydride, naphthalene, and carbon black feedstock which were partially offset by lower raw material costs.

RUPS operating profit increased by \$0.3 million or two percent compared to the prior year period. Operating profit as a percentage of net sales for RUPS decreased to 10.0 percent from 10.4 percent in the prior year quarter. Operating profit for the three months ended September 30, 2015 was positively impacted by higher sales volumes for crossties driven by strong industry demand and inventory restocking by railroad customers and the contribution from the August 2014 acquisition of Koppers Railroad Structures.

PC operating profit increased by \$8.4 million or 646 percent compared to the prior year period. Operating profit as a percentage of net sales for PC increased to 10.4 percent from 2.8 percent in the prior year quarter. Operating profit for the three months ended September 30, 2015 was positively impacted due primarily to a complete three-month period of consolidating the PC business in 2015 after the acquisition in August 2014.

Corporate operating loss decreased by \$6.2 million or 94 percent compared to the prior year period. Operating profit for the three months ended September 30, 2015 was positively impacted by the avoidance of integration costs incurred for the three months ended September 30, 2014 which were related to the Osmose acquisition.

Results of Operations – Comparison of Nine Months Ended September 30, 2015 and 2014

Consolidated Results

Net sales for the nine months ended September 30, 2015 and 2014 are summarized by segment in the following table:

	Nine Months Ended September 30,		Net Change	
	2015	2014		
(Dollars in millions)				
Carbon Materials and Chemicals	\$479.6	\$637.8	-25	%
Railroad and Utility Products and Services	506.6	444.4	14	%
Performance Chemicals	277.0	46.1	501	%
	\$1,263.2	\$1,128.3	12	%

CMC net sales decreased by \$158.2 million or 25 percent compared to the prior year period due mainly to lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene which have been impacted by lower oil prices.

Lower distillate sales prices decreased sales by 11 percent compared to the nine months ended September 30, 2014 due mainly to lower sales volumes and prices for carbon black feedstock, with the lower prices driven by lower oil prices.

Sales of coal tar chemicals declined by six percent of sales compared to the prior year period due primarily to decreases in sales prices for phthalic anhydride and naphthalene driven by lower oil prices.

Foreign exchange translation resulted in a reduction amounting to six percent of sales compared to the same period in 2014.

RUPS net sales increased by \$62.2 million or 14 percent compared to the prior year period. The sales increase was due primarily to higher sales volumes for railroad crossties combined with incremental sales of \$35.4 million from the Osmose businesses that are a part of RUPS. The higher sales volumes for crossties were due to strong industry demand combined with inventory restocking by railroad customers who reduced inventory levels over the past several years due to competitive market conditions for hardwood lumber.

PC net sales increased by \$230.9 million compared to the prior year period. The sales increase was due primarily to the PC business being consolidated for a full three month period in 2015. This segment consists of the wood preservation business that was acquired from Osmose in August 2014. Sales for this business, which produces various copper-based wood preservatives used in decking, fencing and other residential, commercial, and agricultural applications, are driven primarily by residential remodeling and existing home sales. Operating results for PC for the first and fourth quarters are typically lower than results for the second and third quarters due to seasonality related to winter weather conditions.

Cost of sales as a percentage of net sales was 84 percent for the nine months ended September 30, 2015 as compared to 86 percent for the nine months ended September 30, 2014 due mainly to the acquisition of the higher margin PC

business and higher gross margin for RUPS driven by higher sales volumes resulting in improved cost performance, which more than offset lower gross margin from CMC.

Depreciation and amortization for the nine months ended September 30, 2015 was \$19.8 million higher when compared to the prior year period due mainly to depreciation and amortization for the PC business that was acquired in August 2014 and \$3.8 million of accelerated depreciation and asset retirement obligation amortization related to the closure of a wood-treating facility.

Gain on sale of business of \$3.2 million for the nine months ended September 30, 2015 reflected the sale of our North American utility pole business in January 2015.

Impairment and restructuring charges were \$2.7 million for the nine months ended September 30, 2015 as a result of the closure of our wood treating facility in Green Spring, West Virginia. The \$18.1 million incurred for the nine months ended September 30, 2014 was due to the closure of the Uithoorn, the Netherlands facility for \$13.4 million combined with impairment charges related to the KCCC facility of \$4.7 million.

Selling, general and administrative expenses for the nine months ended September 30, 2015 were \$18.4 million higher when compared to the prior year period due mainly to the PC business that was acquired in August 2014. Additionally, \$2.2 million of costs were incurred in the first nine months of 2015 related to the CMC restructuring and reorganization projects.

Other income (loss) for the nine months ended September 30, 2015 was \$0.4 million compared to \$(0.3) million in the prior year period as licensing royalties received by PC were more than offset by equity method losses for CMC related to our TKK facility in China.

Interest expense for the nine months ended September 30, 2015 was \$13.2 million higher than the prior year period as a result of higher debt levels due to financing for the acquisition of the Osmose Entities in August 2014.

Income taxes for the nine months ended on September 30, 2015 were \$0.9 million higher when compared to the prior year period due to an increase in pre-tax earnings and the net unfavorable impact of discrete tax items partially offset by a lower effective tax rate. The decrease in the effective tax rate on pretax ordinary income and before discrete items to 33.1 percent compared to 80.9 percent in the prior year period is attributed to the current year benefits from the legal entity tax restructuring project that was completed at the end of December 2014 along with a decrease in the non-deductible expenses related to the closure of the Uithoorn, Netherlands facility in 2014. Discrete items included in income taxes for the nine months ended September 30, 2015 were a net tax benefit of \$1.6 million which was primarily related to changes in unrecognized tax benefits and the closure of an IRS audit of the Company's U.S. tax returns through 2011. Discrete items included in income taxes for the nine months ended on September 30, 2014 were a net tax benefit of \$6.0 million which was primarily related to management's decision that a deferred tax liability for certain undistributed earnings of its European subsidiaries was no longer necessary as these earnings are permanently reinvested.

Segment Results

Segment operating profit for the nine months ended September 30, 2015 and 2014 is summarized by segment in the following table:

	Nine Months Ended September 30,		% Change	
	2015	2014		
(Dollars in millions)				
Operating (loss) profit:				
Carbon Materials and Chemicals	\$(13.8)	\$0.2	N/A	
Railroad and Utility Products and Services	48.1	41.3	16	%
Performance Chemicals	31.6	1.3	N/A	
Corporate	(4.9)	(11.7)	-58	%
	\$61.0	\$31.1	96	%
Operating (loss) profit as a percentage of net sales:				
Carbon Materials and Chemicals	-2.9 %	0.0 %	-2.9	%
Railroad and Utility Products and Services	9.5 %	9.3 %	0.2	%
Performance Chemicals	11.4 %	2.8 %	8.6	%
	4.8 %	2.8 %	2.0	%

CMC operating profit decreased by \$14.0 million over the prior year period. Operating loss as a percentage of net sales for CMC amounted to 2.9 percent compared to 0.0 percent in the prior year period. Operating profit for the nine months ended September 30, 2015 was negatively affected by lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene driven by lower oil prices.

RUPS operating profit increased by \$6.8 million compared to the prior year period, and operating profit as a percentage of net sales for RUPS increased to 9.5 percent from 9.3 percent in the prior year period. Operating profit for the nine months ended September 30, 2015 was positively impacted by higher sales volumes for crossties due to strong industry demand and inventory restocking by railroad customers and the contribution from the August 2014 acquisition of Koppers Railroad Structures.

PC operating profit increased by \$30.3 million compared to the prior year period. Operating profit as a percentage of net sales for PC increased to 11.4 percent from 2.8 percent in the prior year quarter. Operating profit for the nine months ended September 30, 2015 was positively impacted due primarily to the PC business being acquired in August 2014.

Cash Flow

Net cash provided by operating activities was \$95.1 million for the nine months ended September 30, 2015 as compared to net cash provided by operating activities of \$10.8 million for the nine months ended September 30, 2014. The net increase of \$84.3 million in cash from operations was due primarily to lower working capital usage compared to the prior year period principally as a result of a decrease in inventories and an increase in accounts payable combined with the receipt of a cash advance payment of \$30 million to KJCC due to the amendment of a soft pitch supply agreement with its customer.

Net cash used in investing activities was \$27.0 million for the nine months ended September 30, 2015 as compared to net cash used in investing activities of \$555.4 million for the nine months ended September 30, 2014. The decrease in net cash used by investing activities of \$528.4 million is due to a reduction of \$32.6 million for capital expenditures, additional proceeds of \$14.7 million from asset sales, and a \$481.2 million reduction in acquisition expenditures compared to the prior year period.

Net cash used in financing activities was \$96.3 million for the nine months ended September 30, 2015 as compared to net cash provided by financing activities of \$537.6 million for the nine months ended September 30, 2014. The difference is due mainly to debt repayments totaling \$86.3 million in the first nine months of 2015 as compared to borrowings of \$563.8 million in the prior year period used to finance the Osmose acquisition, the acquisition of a crosstie treating business in Ashcroft, British Columbia, Canada and construction costs at the KJCC facility in China.

Dividends paid were \$8.7 million for the nine months ended September 30, 2015 compared to \$15.2 million for the nine months ended September 30, 2014. Dividends paid in 2015 include \$3.5 million of dividends paid to the non-controlling interest shareholder of KCCC, our 60-percent owned subsidiary. There were no dividends declared to Koppers Holdings shareholders during 2015.

Liquidity and Capital Resources

Restrictions on Dividends to Koppers Holdings

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. Koppers Inc.'s credit agreement prohibits it from making dividend payments to us unless (1) such dividend payments are permitted by the indenture governing Koppers Inc.'s Senior Notes and (2) no event of default or potential default has occurred or is continuing under the credit agreement. The indenture governing Koppers Inc.'s Senior Notes restricts its ability to finance our payment of dividends if (1) a default has occurred or would result from such financing, (2) a restricted subsidiary of Koppers Inc. which is not a guarantor under the indenture is not able to incur additional indebtedness (as defined in the indenture), and (3) the sum of all restricted payments (as defined in the indenture) have exceeded the permitted amount (which we refer to as the "basket") at such point in time.

The basket is governed by a formula based on the sum of a beginning amount, plus or minus a percentage of Koppers Inc.'s consolidated net income (as defined in the indenture), plus the net proceeds of Koppers Inc.'s qualified stock issuance or conversions of debt to qualified stock, plus the net proceeds from the sale of or a reduction in an investment (as defined in the indenture) or the value of the assets of an unrestricted subsidiary which is designated a restricted subsidiary. At September 30, 2015 the basket totaled \$190.9 million. Notwithstanding such restrictions, the indenture governing Koppers Inc.'s Senior Notes permits an additional aggregate amount of \$20.0 million each fiscal year to finance dividends on the capital stock of Koppers Holdings, whether or not there is any basket availability, provided that at the time of such payment, no default in the indenture has occurred or would result from financing the dividends.

In addition, certain required coverage ratios in Koppers Inc.'s revolving credit facility may restrict the ability of Koppers Inc. to pay dividends. See "—Debt Covenants." Koppers Holdings suspended its dividend in February 2015 and does not expect to declare any dividends for the foreseeable future.

Liquidity

The Koppers Inc. revolving credit facility agreement provides for a senior secured revolving credit facility of up to \$500.0 million and a senior secured term loan of up to \$300.0 million at variable interest 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.

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As of September 30, 2015, we had \$105.3 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of September 30, 2015, \$47.5 million of commitments were utilized by outstanding letters of credit.

The following table summarizes our estimated liquidity as of September 30, 2015 (dollars in millions):

Cash and cash equivalents ⁽¹⁾	\$33.0
Amount available under revolving credit facility	105.3
Amount available under other credit facilities	0.8
Total estimated liquidity	\$139.1

(1) Cash includes approximately \$32 million held by foreign subsidiaries, which if repatriated to the United States, would incur an estimated cash tax cost of approximately \$13 million.

Our estimated liquidity was \$165.4 million at December 31, 2014.

Our need for cash in the next twelve months relates primarily to contractual obligations which include debt service, purchase commitments and operating leases, as well as working capital, capital maintenance programs and the funding of

plant consolidation and rationalizations. We may also use cash to pursue potential strategic acquisitions. Capital expenditures in 2015, excluding acquisitions, are expected to total approximately \$42 million.

Debt Covenants

The covenants that affect availability of the revolving credit facility and which may restrict the ability of Koppers Inc. to pay dividends include the following financial ratios:

§ The fixed charge coverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to be less than 1.10. The fixed charge coverage ratio at September 30, 2015 was 1.43.

§ The leverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to exceed 5.25. The leverage ratio at September 30, 2015 was 4.61.

We are currently in compliance with all covenants in the credit agreement governing the revolving credit facility. Our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet these ratios and tests in the future.

The Company entered into an amendment of the revolving credit facility dated June 30, 2015 which excludes dividends paid by Koppers Holdings Inc. from the calculation of fixed charges under the fixed charge coverage ratio. Koppers Holdings last paid a dividend in January 2015. In the event that Koppers Holdings pays any dividends subsequent to June 30, 2015, all dividends paid by Koppers Holdings during any period of determination will be included in the calculation of fixed charges under the fixed charge coverage ratio. The Company would have been in compliance with all covenants at June 30, 2015 regardless of this amendment.

At September 30, 2015, Koppers Inc. had \$300.0 million principal value outstanding of Senior Notes. The Senior Notes include customary covenants that restrict, among other things, our ability to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of our assets or enter into various transactions with affiliates. We are currently in compliance with all covenants in the Senior Notes indenture.

Our 75-percent owned subsidiary, Koppers (Jiangsu) Carbon Chemical Company (“KJCC”), has two loans incurred in connection with the construction of the coal tar distillation plant in Pizhou, Jiangsu province in China. One of the loans totaling \$31.2 million has certain annual financial covenants that monitor minimum net worth and leverage. Due to a delay in the completion of an adjacent carbon black and needle coke facility owned by Nippon Steel and Sumikan Chemical which will purchase a significant portion of the products produced by KJCC, KJCC is not expected to be in compliance with the financial covenants on this loan at December 31, 2015. We are currently negotiating a refinancing of the loan with the lender which will include amended financial covenants as of December 31, 2015. We believe that we will be able to complete this refinancing by December 31, 2015. If we are not able to either complete this refinancing or obtain a waiver on the violation of the financial covenants, the lender could demand immediate payment of the full amount of the outstanding loan which is secured by a letter of credit from our revolving credit facility.

Legal Matters

The information set forth in Note 18 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of this Part I is incorporated herein by reference.

Recently Issued Accounting Guidance

The information set forth in Note 2 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 Part I is incorporated herein by reference.

Critical Accounting Policies

There have been no material changes to the Company's critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Environmental and Other Matters

The information set forth in Note 18 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of Part I is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the disclosure on this matter made in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of the end of the period covered by this report. Other than the establishment and implementation of internal controls with respect to the Osmose Entities acquired on August 15, 2014, there were no other changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

As indicated in Management's Report on Internal Control Over Financial Reporting in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, management has excluded the Osmose Entities from its assessment of internal controls over financial reporting as of December 31, 2014 because the Company acquired the Osmose Entities effective August 15, 2014.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 18 to the Condensed Consolidated Financial Statements of Koppers Holdings Inc. included in Item 1 of Part I of this report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors previously disclosed in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No shares were repurchased in the quarter ended September 30, 2015 under the current \$75 million share repurchase program approved in November 2011. The approximate dollar value of common shares that may yet be purchased under this program is \$52.8 million. The repurchase program has no expiration date.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

12.1* Computation of ratio of earnings to fixed charges

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- 31.1* Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

37

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KOPPERS HOLDINGS INC.

(REGISTRANT)

Date: November 5, 2015 By: /s/ MICHAEL J. ZUGAY
Michael J. Zugay

Chief Financial Officer
(Principal Financial Officer,

Principal Accounting Officer and Duly Authorized Officer)