

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2007

Commission file number 1-32737



Koppers Holdings Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State of incorporation)

20-1878963
(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 periods 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Common Stock, par value \$0.01 per share, outstanding at July 31, 2007 amounted to 20,747,821 shares.

ITEM 1. FINANCIAL STATEMENTS

Koppers Holdings Inc.
Consolidated Statement of Operations
(Dollars in millions, except per share amounts)

	Three Months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Net sales	\$ 360.0	\$ 297.9	\$ 681.1	\$ 562.5
Cost of sales (excluding items below)	285.9	251.3	553.6	473.0
Depreciation and amortization	8.2	8.2	16.5	16.0
Selling, general and administrative expenses	19.9	16.7	36.9	35.8
Total operating expenses	<u>314.0</u>	<u>276.2</u>	<u>607.0</u>	<u>524.8</u>
Operating profit	46.0	21.7	74.1	37.7
Other income	—	0.6	0.1	0.8
Income before interest expense, income taxes and minority interest	46.0	22.3	74.2	38.5
Interest expense	<u>12.0</u>	<u>11.6</u>	<u>23.7</u>	<u>38.5</u>
Income before income taxes and minority interest	34.0	10.7	50.5	—
Income taxes	10.9	4.9	15.9	—
Minority interest	0.8	0.8	1.8	1.0
Net income (loss)	<u>\$ 22.3</u>	<u>\$ 5.0</u>	<u>\$ 32.8</u>	<u>\$ (1.0)</u>
Earnings (loss) per common share:				
Basic	\$ 1.08	\$ 0.24	\$ 1.58	\$ (0.06)
Diluted	\$ 1.07	\$ 0.24	\$ 1.57	\$ (0.06)
Weighted average shares outstanding <i>(in thousands)</i> :				
Basic	20,741	20,654	20,736	17,622
Diluted	20,865	20,821	20,854	17,622
Dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.96

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

Koppers Holdings Inc.
Condensed Consolidated Balance Sheet
(Dollars in millions, except per share amounts)

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
	<i>(Unaudited)</i>	
Assets		
Cash and cash equivalents	\$ 26.2	\$ 24.4
Accounts receivable, net of allowance of \$0.4 and \$0.3	168.6	142.1
Inventories, net	182.7	156.4
Deferred tax benefit	15.1	15.1
Other current assets	9.4	11.5
Total current assets	<u>402.0</u>	<u>349.5</u>
Equity in non-consolidated investments	2.8	2.7
Property, plant and equipment, net	156.6	159.3
Goodwill	64.0	62.6
Deferred tax benefit	45.1	45.6
Other assets	28.7	29.7
Total assets	<u>\$ 699.2</u>	<u>\$ 649.4</u>
Liabilities		
Accounts payable	\$ 110.6	\$ 100.5
Dividends payable	3.5	3.5
Accrued liabilities	69.7	63.6
Short-term debt and current portion of long-term debt	22.2	19.6
Total current liabilities	<u>206.0</u>	<u>187.2</u>
Long-term debt	454.8	456.3
Other long-term liabilities	82.7	86.1
Total liabilities	<u>743.5</u>	<u>729.6</u>
Commitments and contingencies (Note 18)		
Minority interest	14.1	12.2
Stockholders' Deficit		
Senior Convertible Preferred Stock, \$0.01 par value per share; 10,000,000 shares authorized; 0 shares issued	—	—
Common Stock, \$0.01 par value per share; 40,000,000 shares authorized; 20,867,979 shares issued	0.2	0.2
Additional paid-in capital	122.9	122.4
Receivable from Director for purchase of Common Stock	(0.6)	(0.6)
Retained deficit	(180.9)	(206.5)
Accumulated other comprehensive income (loss)	1.4	(6.5)
Treasury stock, at cost, 120,158 shares	(1.4)	(1.4)
Total stockholders' deficit	<u>(58.4)</u>	<u>(92.4)</u>
Total liabilities and stockholders' deficit	<u>\$ 699.2</u>	<u>\$ 649.4</u>

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

Koppers Holdings Inc.
Condensed Consolidated Statement of Cash Flows
(Dollars in millions)

	Six Months Ended June 30,	
	2007	2006
	<i>(Unaudited)</i>	
Cash provided by (used in) operating activities	\$ 28.8	\$ (4.4)
Cash provided by (used in) investing activities:		
Capital expenditures	(10.9)	(9.4)
Acquisitions	(3.3)	(40.0)
Net cash proceeds from divestitures and asset sales	0.4	2.1
Net cash used in investing activities	(13.8)	(47.3)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	164.7	147.5
Repayments of revolving credit	(164.6)	(140.3)
Borrowings of long-term debt	—	53.1
Repayments of long-term debt	(6.4)	(111.9)
Dividends paid	(7.1)	(10.3)
Payment of deferred financing costs	(0.1)	(0.8)
Issuances of Common Stock	—	121.8
Common Stock issuance costs	—	(9.4)
Net cash provided by (used in) financing activities	(13.5)	49.7
Effect of exchange rate changes on cash	0.3	(0.2)
Net increase (decrease) in cash and cash equivalents	1.8	(2.2)
Cash and cash equivalents at beginning of year	24.4	26.1
Cash and cash equivalents at end of period	<u>\$ 26.2</u>	<u>\$ 23.9</u>

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, 2006 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2006.

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, 2006.

2. New Accounting Guidance

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 allows companies to elect to measure many financial assets and financial liabilities at fair value (the "fair value option"). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, SFAS 159 specifies that all subsequent changes in fair value for that instrument must be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating if it will apply the voluntary fair value option to any of its financial assets and financial liabilities.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that will result from the adoption of SFAS 157.

3. Accounting Changes

In October 2006, the FASB issued SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS 158 requires a company to recognize in its balance sheet an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status. The accounting standard also requires that the postretirement projected benefit obligation measurement date be December 31 for all plans. The Company adopted the funded status recognition provisions of SFAS 158 effective December 31, 2006 and recorded a charge to accumulated other comprehensive income of \$7.0 million, net of tax. The Company adopted the measurement date provisions of SFAS 158 effective January 1, 2007 for its one pension plan with a measurement date other than December 31.

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

The impact of the adoption of the measurement date provisions resulted in an increase to opening retained deficit of \$0.1 million.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted FIN 48 effective January 1, 2007 and no impact to opening retained deficit occurred as a result of adoption.

In June 2006, the FASB's Emerging Issues Task Force (the "EITF") issued EITF 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43*. EITF 06-2 requires accrual of sabbatical leave or other similar compensated absences over the requisite service period of the employee. The Company adopted EITF 06-2 effective January 1, 2007 and recorded an increase to opening retained deficit of \$0.1 million.

4. Initial Public Offering

The Company completed an initial public offering ("IPO") in February 2006, resulting in the issuance of 8,700,000 additional common shares at a price of \$14.00 per share, and the conversion of 2,288,481 shares of preferred stock into 9,107,926 shares of common stock. Of such converted shares, 2,800,000 were sold by the Company's shareholders in connection with the IPO and the related over-allotment option. The Company received approximately \$111.1 million of net proceeds (after \$10.7 million of expenses) from the issuance and sale of 8,700,000 shares, which proceeds were used to redeem \$101.7 million principal amount of the Senior Secured Notes due 2013 (the "Senior Secured Notes") and pay a related call premium of \$10.1 million. The Company expensed \$3.2 million of deferred financing costs related to the buyback of the notes and incurred \$1.1 million of bond consent fees. The call premium, write-off of deferred financing costs, and consent fees were recorded as interest expense. The Company also incurred \$3.0 million for the termination of the Saratoga Partners III, L.P. ("Saratoga") advisory services contract, which was recorded in selling, general and administrative expense. A post-IPO dividend (declared in February 2006) of \$8.2 million, the consent fees and the Saratoga termination fee were financed through borrowings under the revolving credit agreement.

5. Dividends

On August 8, 2007, the Company's board of directors declared a quarterly dividend of 17 cents per common share, payable on October 1, 2007 to shareholders of record as of August 20, 2007.

6. Acquisitions and Disposals

Business Divestiture

On July 5, 2007, the Company sold its 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch") to Arch Chemicals for net cash proceeds of \$14.9 million. Effective as of this date, Koppers Arch will be classified as a discontinued operation in the Company's statement of operations and earnings per share. The Company expects to recognize a gain from the sale, net of tax, of approximately \$6.0 million in the third quarter of 2007. During a transition period not to exceed 12 months after the closing date, the Company will provide transition services to the buyer, including payroll and certain information technology services.

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

Prior to its disposal, Koppers Arch was part of the Carbon Materials & Chemicals segment. Total assets as of June 30, 2007 totaled approximately \$32.7 million and consisted principally of accounts receivable of \$10.5 million, inventory of \$9.2 million and net property, plant and equipment of \$5.4 million. Total liabilities as of June 30, 2007 totaled approximately \$25.0 million and consisted principally of debt of \$9.3 million, accounts payable of \$7.7 million and minority interest of \$4.3 million. The results of Koppers Arch are included in the Company's consolidated statement of operations for the three and six months ended June 30, 2007 and 2006 in the following amounts:

	Three Months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
	<i>(Dollars in millions)</i>			
Net sales	\$14.5	\$12.8	\$27.1	\$25.2
Operating profit	0.3	0.6	1.0	1.2
Net income	—	0.1	0.1	\$ 0.1
Impact on earnings per common share:				
Basic	\$ —	\$ —	\$0.01	\$ 0.01
Diluted	\$ —	\$ —	\$0.01	\$ 0.01

Business Combination

On April 28, 2006 the Company acquired certain assets of Reilly Industries, Inc.'s ("Reilly") carbon materials business for \$45.1 million. The purchased assets consist primarily of inventories, customer sales contracts, raw material supply contracts, rail car leases, pitch melting assets and a non-compete agreement. Acquired intangible assets, including goodwill, totaled \$32.1 million. The Company has integrated the additional tar distillation production at its existing facilities in the U.S. Net sales related to the acquired Reilly assets totaled \$55.8 million from the date of acquisition to December 31, 2006.

7. Comprehensive Income

Total comprehensive income for the three and six months ended June 30, 2007 and 2006 is summarized in the table below:

	Three Months Ended June 30,		Six months Ended June 30,	
	2007	2006	2007	2006
	<i>(Dollars in millions)</i>			
Net income (loss)	\$22.3	\$ 5.0	\$32.8	\$(1.0)
Other comprehensive income (loss):				
Change in currency translation adjustment	5.3	2.8	7.5	2.2
Change in unrecognized pension transition asset, net of tax	—	—	(0.1)	—
Change in unrecognized pension net loss, net of tax	0.2	—	0.5	—
Total comprehensive income	<u>\$27.8</u>	<u>\$ 7.8</u>	<u>\$40.7</u>	<u>\$ 1.2</u>

8. 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

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

diluted earnings per common share includes the effect of nonvested nonqualified stock options, restricted stock units and performance 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. For this reason, the nonqualified stock options were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2007 (totaling 35,062 and 17,726 shares, respectively) and restricted stock units totaling 154,939 shares were not included in the computation of diluted earnings per common share for the six months ended June 30, 2006.

The following tables set forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
	<i>(Dollars in millions, except share amounts, in thousands and per share amounts)</i>			
Net income applicable to common stock	\$ 22.3	\$ 22.3	\$ 5.0	\$ 5.0
Shares of common stock outstanding:				
Weighted-average common shares outstanding	20,741	20,741	20,654	20,654
Effect of dilutive securities	—	124	—	167
Average common shares	20,741	20,865	20,654	20,821
Earnings per common share	\$ 1.08	\$ 1.07	\$ 0.24	\$ 0.24
	Six Months Ended June 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
	<i>(Dollars in millions, except share amounts, in thousands and per share amounts)</i>			
Net income (loss) applicable to common stock	\$ 32.8	\$ 32.8	\$ (1.0)	\$ (1.0)
Shares of common stock outstanding:				
Weighted-average common shares outstanding	20,736	20,736	17,622	17,622
Effect of dilutive securities	—	118	—	—
Average common shares	20,736	20,854	17,622	17,622
Earnings (loss) per common share	\$ 1.58	\$ 1.57	\$ (0.06)	\$ (0.06)

9. Stock-based Compensation

In December 2005, the Company's board of directors and shareholders adopted the 2005 Long-Term Incentive Plan (the "LTIP"). 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 we refer to collectively as the awards. In May 2007, 18,000 shares were issued under the LTIP to members of the board of directors in relation to annual director compensation.

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

On March 22, 2007, the board of directors granted 33,877 restricted stock units and 69,800 performance stock units to certain employee participants (collectively, the "stock units"). The restricted stock units will vest ratably in March 2008, 2009 and 2010, assuming continued employment by the participant. For certain participants who currently have unvested restricted stock units from a prior grant, vesting of the May 2007 restricted stock award will occur at the end of a three-year service period. The performance stock units will vest upon the attainment of the applicable performance objective at the end of a three-year measurement period ending on December 31, 2009. The applicable performance objective is based upon a three-year cumulative value creation calculation commencing January 1, 2007. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 150 percent 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 restriction period 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 nonvested 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.

In accordance with accounting standards, compensation expense for nonvested 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 June 30, 2007 (*dollars in millions except share amounts*):

Performance Period	Fair Value	Unrecognized Compensation Expense	Minimum Shares	Target Shares	Maximum Shares
2007-2009	\$1.8	\$ 1.6	—	69,800	104,700

The following table shows a summary of the status and activity of nonvested stock awards for the six months ended June 30, 2007:

	Restricted Stock Units	Performance Stock Units	Total Stock Units	Weighted Average Grant Date Fair Value per Unit
Nonvested at January 1, 2007	214,915	—	214,915	\$ 3.30
Granted	33,877	69,800	103,677	\$ 25.49
Forfeited	(7,960)	—	(7,960)	\$ 3.30
Nonvested June 30, 2007	240,832	69,800	310,632	\$ 10.71

On May 8, 2007 (the "grant date"), the Company granted 60,200 nonqualified stock options to certain employee participants which vest and become exercisable upon the completion of a 3-year service period commencing on the grant date. The stock options have a term of 10 years. In the event of termination of employment, all unvested stock options shall terminate and cease to be outstanding, except to the extent specifically authorized by the plan administrator. There are special vesting provisions for the stock options related to a change in control.

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

In accordance with accounting standards, compensation expense for unvested 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:

	<u>May 2007 Grant</u>
Grant date price per share of option award	\$ 29.97
Expected dividend yield per share	2.50%
Expected life in years	6.5
Expected volatility	40.39%
Risk-free interest rate	4.45%
Grant date fair value per share of option awards	\$ 11.01

The following table shows a summary of the status and activity of stock options for the six months ended June 30, 2007:

	<u>Options</u>	<u>Weighted Average Exercise Price per Option</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
As of January 1, 2007	—	\$ —		
Granted	<u>60,200</u>	\$ 29.97		
As of June 30, 2007	<u>60,200</u>	\$ 29.97	9.8	\$ 0.2

There are no options eligible for exercise as of June 30, 2007.

Total stock-based compensation expense recognized for the three and six months ended June 30, 2007 and 2006 is as follows:

	<u>Three Months Ended June 30,</u>		<u>Six months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<i>(Dollars in millions)</i>			
Total stock-based compensation expense	<u>\$ 0.8</u>	<u>\$ 0.1</u>	<u>\$ 1.0</u>	<u>\$ 0.2</u>

10. Segment Information

The Company's two reportable operating segments are Carbon Materials & Chemicals and Railroad & Utility Products. The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes. The business units have been aggregated into two reportable segments since management believes the long-term financial performance of these business units is affected by similar economic conditions.

The Company's Carbon Materials & Chemicals segment is primarily a supplier of carbon pitch, phthalic anhydride, creosote and other wood treatment chemicals, carbon black, carbon black feedstock and furnace coke. Carbon pitch is used primarily by the aluminum industry as a binder in the manufacture of anodes. Phthalic anhydride ("PAA") is used in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins and dye making. Creosote and wood treatment chemicals

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

are used in the protection of timber products against insects, fungal decay and weathering. Carbon black (and carbon black feedstock) is used in the production of rubber tires. Furnace coke is used in the production of steel. The Company sold its 51 percent interest in Koppers Arch Investments Pty. and its subsidiaries on July 5, 2007 (see Note 6). Koppers Arch Investments Pty. manufactured wood treatment chemicals.

The Company's Railroad & Utility Products segment provides various products and services to railroads, including crossties (both wood and concrete), track panels and switch pre-assemblies and disposal services. The segment also supplies treated wood poles to electric and telephone utilities and provides products to, and performs various wood treating services for, construction and other commercial applications.

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 contained in the Annual Report on Form 10-K for the year ended December 31, 2006. Intersegment transactions are eliminated in consolidation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	<i>(Dollars in millions)</i>			
Revenues from external customers:				
Carbon Materials & Chemicals	\$236.3	\$183.8	\$436.0	\$339.0
Railroad & Utility Products	123.7	114.1	245.1	223.5
Total	<u>\$360.0</u>	<u>\$297.9</u>	<u>\$681.1</u>	<u>\$562.5</u>
Intersegment revenues:				
Carbon Materials & Chemicals	\$ 18.5	\$ 11.5	\$ 35.1	\$ 21.8
Railroad & Utility Products	—	—	—	—
Total	<u>\$ 18.5</u>	<u>\$ 11.5</u>	<u>\$ 35.1</u>	<u>\$ 21.8</u>
Depreciation and amortization expense:				
Carbon Materials & Chemicals	\$ 6.5	\$ 6.4	\$ 13.0	\$ 12.2
Railroad & Utility Products	1.7	1.8	3.5	3.7
Corporate	—	—	—	0.1
Total	<u>\$ 8.2</u>	<u>\$ 8.2</u>	<u>\$ 16.5</u>	<u>\$ 16.0</u>
Operating profit:				
Carbon Materials & Chemicals	\$ 33.9	\$ 16.1	\$ 49.6	\$ 26.8
Railroad & Utility Products	13.0	5.8	25.7	11.0
Corporate	(0.9)	(0.2)	(1.2)	(0.1)
Total	<u>\$ 46.0</u>	<u>\$ 21.7</u>	<u>\$ 74.1</u>	<u>\$ 37.7</u>

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

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

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Segment assets:		
Carbon Materials & Chemicals	\$478.6	\$ 428.7
Railroad & Utility Products	154.1	150.3
All Other	66.5	70.4
Total	<u>\$699.2</u>	<u>\$ 649.4</u>
Goodwill:		
Carbon Materials & Chemicals	\$ 61.9	60.6
Railroad & Utility Products	2.1	2.0
Total	<u>\$ 64.0</u>	<u>\$ 62.6</u>

11. Income Taxes

Effective Tax Rate

Income taxes as a percentage of pretax income is 31.9 percent and 46.2 percent for the three months ended June 30, 2007 and 2006, respectively. There were no discrete items included in the estimated effective tax rate for either period. The effective tax rate for the three months ended June 30, 2007 differs from the U.S. federal statutory rate of 35.0 percent due to the recognition of non-conventional fuel tax credits (-5.2 percent) offset by taxes on foreign earnings (+2.0 percent). With respect to the three months ended June 30, 2006, the effective tax rate differs from the federal statutory rate primarily due to taxes on foreign earnings (+8.9 percent).

Income taxes as a percentage of pretax income is 31.4 percent for the six months ended June 30, 2007. There were no discrete items included in the estimated effective tax rate for the period. The effective tax rate for the six months ended June 30, 2007 differs from the U.S. federal statutory rate of 35.0 percent due to the recognition of non-conventional fuel tax credits (-6.0 percent) offset by taxes on foreign earnings (+2.3 percent).

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. 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 such as the non-conventional fuel tax credit. To the extent that actual results vary from the estimates at the end of the second quarter, the actual tax provision recognized for 2007 could be materially different from the forecasted annual tax provision as of the end of the second quarter.

Uncertain Tax Positions

The Company or one of its subsidiaries files income tax returns in U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, the Company is no

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longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2002.

The Company adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. As a result of the adoption of FIN 48, the Company did not recognize a material change in the liability for unrecognized tax benefits. As of the date of adoption, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately \$1.7 million. The amount of gross unrecognized tax benefits as of the date of adoption was \$2.3 million.

The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of January 1, 2007, the Company had accrued approximately \$0.4 million for interest and penalties.

12. Inventories

Net inventories as of June 30, 2007 and December 31, 2006 are summarized in the table below:

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Raw materials	\$107.7	\$ 89.4
Work in process	6.7	6.3
Finished goods	94.1	84.6
	208.5	180.3
Less revaluation to LIFO	25.8	23.9
Net	<u>\$182.7</u>	<u>\$ 156.4</u>

13. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2007 and December 31, 2006 are summarized in the table below:

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Land	\$ 6.8	\$ 6.7
Buildings	23.7	22.6
Machinery and equipment	535.9	518.2
	566.4	547.5
Less accumulated depreciation	409.8	388.2
Net	<u>\$156.6</u>	<u>\$ 159.3</u>

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Notes to Condensed Consolidated Financial Statements—(Continued)

14. 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 two domestic non-qualified defined benefit pension plans for certain key executives. 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.

In November 2006, the Company's board of directors approved a freeze of the Company's U.S. qualified and corresponding non-qualified defined benefit pension plans for salaried employees. Effective December 31, 2006, salaried employees no longer accrue additional years of service or recognize future increases in compensation under the existing defined benefit pension plans for benefit purposes. In addition, the Company has recently negotiated "soft" freezes with respect to a number of hourly defined benefit pension plans. Such negotiated agreements preclude new employees from entering the defined benefit pension plans.

In lieu of the reduction in benefits under the qualified defined benefit plan for U.S. salaried employees, the Company provides, based on age and years of service, a uniform employer contribution of at least three percent and up to a maximum of nine percent of compensation to the salaried employee's defined contribution plan. The Company also matches contributions by salaried employees at an amount equal to 50 percent of the first six percent of compensation contributed by the salaried employee. On August 8, 2007, the Company's board of directors approved the establishment of a supplemental benefit plan to restore employer non-elective contributions lost to certain participants in the Company's defined contribution plan under U.S. tax law.

With respect to U.S. hourly employees who are not eligible to participate in an hourly defined benefit pension plan, the Company provides a uniform employer contribution of three percent of compensation to the hourly employee's defined contribution plan. The Company also matches contributions by hourly employees at an amount equal to 100 percent of the first one percent and 50 percent on the next two percent of compensation contributed by the hourly employee.

The following table provides the components of net periodic benefit cost for the defined benefit pension plans for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	<i>(Dollars in millions)</i>			
Service cost	\$ 1.0	\$ 1.3	\$ 1.9	\$ 2.7
Interest cost	2.7	2.5	5.5	5.0
Expected return on plan assets	(3.3)	(2.7)	(6.5)	(5.3)
Amortization of prior service cost	—	0.1	0.1	0.2
Amortization of net loss	0.5	0.6	0.9	1.3
Amortization of transition asset	(0.1)	(0.1)	(0.2)	(0.2)
Net periodic benefit cost	<u>\$ 0.8</u>	<u>\$ 1.7</u>	<u>\$ 1.7</u>	<u>\$ 3.7</u>

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Notes to Condensed Consolidated Financial Statements—(Continued)

The following table provides the components of net periodic benefit cost for the other postretirement benefits for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	<i>(Dollars in millions)</i>			
Service cost	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2
Interest cost	0.2	0.2	0.4	0.5
Amortization of prior service cost	(0.1)	(0.1)	(0.2)	(0.2)
Amortization of net loss	0.1	0.1	0.1	0.1
Net periodic benefit cost	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 0.5</u>	<u>\$ 0.6</u>

The Company's expense related to its defined contribution plans amounted to \$1.1 million and \$0.6 million for the three months ended June 30, 2007 and 2006, respectively, and \$2.3 million and \$1.2 million for the six months ended June 30, 2007 and 2006, respectively.

15. Debt

Debt at June 30, 2007 and December 31, 2006 was as follows:

	Weighted Average Interest Rate	Maturity	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>			
Senior Secured Revolving Credit Facility	7.00%	2009	\$ 42.5	\$ 44.5
Other revolving credit facilities	7.27%	2007	10.2	6.1
Senior Secured Term Loans	7.07%	2009	46.0	52.0
Other term loans	7.97%	2010	1.7	3.5
Senior Secured Notes	9 ⁷ / ₈ %	2013	215.1	215.9
Senior Discount Notes	9 ⁷ / ₈ %	2014	161.5	153.9
Total			477.0	475.9
Less short term debt and current maturities of long-term debt			22.2	19.6
Long-term debt			<u>\$454.8</u>	<u>\$ 456.3</u>

Total debt of Koppers Arch as of June 30, 2007 included in the amounts above was \$9.3 million. Koppers Arch was disposed of by sale on July 5, 2007 (see Note 6).

Senior Secured Revolving Credit Facility & Term Loans

The Koppers Inc. senior secured credit facility agreement, as amended, provides for a revolving credit facility of up to \$125.0 million and term loans of \$46.0 million at variable rates. The loans are secured by a first priority lien on substantially all of Koppers Inc.'s assets, including the assets of certain significant subsidiaries. Revolving credit availability is calculated based on receivables and inventory as well as the attainment of certain financial ratios. The credit facility contains certain covenants that limit capital expenditures by Koppers Inc. and restrict its ability to incur additional

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indebtedness, create liens on its assets, enter into leases, pay dividends and make investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. to meet certain financial ratios.

As of June 30, 2007, the Company had \$62.9 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of June 30, 2007, \$16.1 million of commitments were utilized by outstanding letters of credit. In addition, as of June 30, 2007, the Company had outstanding term loans of \$46.0 million under the credit facility.

Senior Secured Notes

The 9^{7/8}% Senior Secured Notes due 2013 (the "Senior Secured Notes") are guaranteed, jointly and severally, on a senior secured basis by some of the Company's current and future subsidiaries. Interest is payable semiannually in arrears on April 15 and October 15 of each year. The Senior Secured Notes and subsidiary guarantees are senior obligations of Koppers Inc. and its subsidiary guarantors, respectively, and are secured by a second priority lien on and security interest in substantially all of the assets owned by Koppers Inc. and its subsidiary guarantors that secure Koppers Inc.'s obligations under its senior secured credit facilities. On or after October 15, 2008, the Company is entitled to redeem all or a portion of the Senior Secured Notes at a redemption price of 104.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value.

The Company has a notional \$50.0 million interest rate swap to convert a portion of the Senior Secured Notes from fixed-interest rate debt to floating-interest rate debt. Accordingly, the interest rate swap is reflected at fair value in other long-term liabilities and the Senior Secured Notes subject to the notional amount of the interest rate swap is reflected at fair value at each balance sheet date. At June 30, 2007 and December 31, 2006, the impact of the interest rate swap decreased the carrying value of the Senior Secured Notes by \$3.2 million and \$2.4 million, respectively.

The indentures governing the Senior Secured Notes include customary covenants that restrict, among other things, the ability of Koppers Inc. and its 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.

Senior Discount Notes

Koppers Holdings' 9^{7/8}% Senior Discount Notes due 2014 (the "Senior Discount Notes") have a principal amount at maturity of \$203.0 million. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each Senior Discount Note increases from the date of issuance until November 15, 2009, at a rate of 9^{7/8}% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203.0 million, the principal amount due at maturity. Subsequent to November 19, 2009, cash interest on the Senior Discount Notes will accrue and be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010.

The Senior Discount Notes are effectively subordinated to the Company's existing and future secured indebtedness, and are structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of the Company's subsidiaries. On or after November 15,

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2009, the Company is entitled to redeem all or a portion of the Senior Discount Notes at a redemption price of 104.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value.

16. 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:

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Balance at beginning of year	\$ 20.0	\$ 22.3
Accretion expense	0.8	1.7
Revision in estimated cash flows	2.1	0.3
Expenses incurred	(3.3)	(7.6)
Acquisition	—	3.3
Balance at end of period	<u>\$ 19.6</u>	<u>\$ 20.0</u>

For the six months ended June 30, 2007, the Company recorded a charge of \$2.0 million with respect to revised plant closure and dismantlement costs.

17. Deferred Revenue from Extended Product Warranty Liabilities

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

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Balance at beginning of year	\$ 8.4	\$ 8.1
Deferred revenue for sales of extended warranties	0.5	1.5
Revenue earned	(0.6)	(1.2)
Balance at end of period	<u>\$ 8.3</u>	<u>\$ 8.4</u>

18. Contingent Liabilities and Commitments

The Company and its subsidiaries are involved in litigation and various proceedings relating to environmental laws and regulations and antitrust, toxic tort, product liability and other matters. Certain of these matters are discussed below. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the consolidated financial statements.

Legal Proceedings

Litigation. In January 2007, Timtech Chemicals Limited ("Timtech") filed a Statement of Claim in the High Court of New Zealand against a number of corporate and individual defendants, including

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Koppers Arch Wood Protection (NZ) Limited, Koppers Arch Investments Pty. Limited, Koppers Australia Pty Limited and a number of other corporate and individual defendants. The Statement of Claim alleges various causes of action against the defendants including claims related to breaches of the New Zealand Commerce Act of 1986. Timtech is seeking damages against all defendants in the amount of \$3.9 million plus exemplary damages and pre-judgment interest in an unspecified amount. Until July 5, 2007, Koppers Arch Wood Protection (NZ) Limited was a majority-owned subsidiary of Koppers Arch Investments Pty Limited, which was an Australian joint venture 51 percent of which was owned by World-Wide Ventures Corporation (an indirect subsidiary of the Company) and 49 percent of which was owned by Hickson Nederland BV, an affiliate of Arch Chemicals, Inc. Koppers Arch Wood Protection (NZ) Limited manufactured and marketed wood preservative products throughout New Zealand. The Company sold its 51 percent interest in Koppers Arch Investments Pty. Limited and its subsidiaries on July 5, 2007 (see Note 6) to Arch Chemicals and has provided an indemnity to the buyer for its share of liabilities, if any, arising from certain litigation and claims including the Timtech litigation and claims arising from the New Zealand Commerce Commission and the Australian Competition and Consumer Commission investigations. The Timtech litigation is scheduled for non-binding mediation in late August 2007.

Although the case will be vigorously defended, 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. It is possible that other civil claims could be filed against the Company arising from alleged breaches of New Zealand and Australian competition laws. Such other claims, if filed and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of the Company. The Company has provided a reserve for this lawsuit and a number of other unrelated claims totaling \$0.7 million as of June 30, 2007 which is the Company's reasonable estimate of potential loss.

Product Liability Cases. Koppers Inc., along with other defendants, is currently a defendant in lawsuits filed in California, Pennsylvania, Indiana, Tennessee, Texas and Oregon 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. The first of these cases was filed in April 2000 and the most recent was filed in July 2007. There are a total of 36 cases filed in state court in Pennsylvania, one case each filed in state courts in California, Indiana, Tennessee and Oregon, and two cases filed in state court in Texas. There are currently 87 plaintiffs in these cases who are making claims against the Company. The complaints applicable to 65 of the plaintiffs allege that they are entitled to recover compensatory and punitive damages in unspecified amounts in excess of the minimum jurisdictional limits of the applicable courts (in most cases \$25,000) with two of these plaintiffs seeking damages in an amount not to exceed \$10.0 million and three additional plaintiffs seeking damages in excess of \$7.5 million. The complaints applicable to 17 of the plaintiffs allege that plaintiffs are entitled to recover compensatory damages in unspecified amounts in excess of the minimum jurisdictional limits of the applicable courts (in most cases \$25,000). The other defendants vary from case to case and include companies such as Beazer East, Inc., USX Corporation, Honeywell, Inc., Reilly Industries, Inc., Dow Chemical Company, Rust-Oleum Corporation, UCAR Carbon Company, Inc., Exxon Mobil Corporation, Crompton Corporation, SGL Carbon Corporation, Alcoa, Inc., and PPG Architectural Finishes Inc. Discovery is proceeding in 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. 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.

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Koppers Inc. is currently defending 12 cases involving 74 plaintiffs who allege exposure to benzene, benzene containing products and other products, including oils and solvents sold by Koppers Inc. Most of these cases also involve numerous other defendants in addition to Koppers Inc. The Company has not provided a reserve for these lawsuits because, at this time, the Company cannot reasonably determine the probability of loss, and the amount of loss, if any, cannot be reasonably estimated.

Somerville Cases. Koppers Inc. is currently defending three cases involving approximately 150 plaintiffs who allegedly have worked or resided in Somerville, Texas. These cases are pending in state court in Burleson County, Texas and in Tarrant County, Texas. The Burlington Northern Santa Fe Railway Company (the "BNSF") has also been named as a defendant in these cases. The complaints allege that plaintiffs have suffered personal injuries (including death, in some cases) and property damage resulting from toxic contamination from exposure to wood preservation chemicals used at the Somerville, Texas wood treatment plant. Koppers Inc. acquired the plant in 1995. The plant was operated at this site under different ownership from 1905 to 1995.

The complaints seek to recover various damages for each plaintiff, including compensatory and punitive damages within the jurisdictional limits of the court for, among other things, bodily injuries, pain and mental anguish, emotional distress, medical monitoring, medical expenses, diminished earning capacity, permanent disability, physical impairment and/or disfigurement, loss of companionship and society, loss of consortium, devaluation of property, loss of use and enjoyment of personal property, loss of use and enjoyment of real property, property damage, property remediation costs, funeral and burial expenses and lost wages. Koppers was served with two of the cases in September 2006 and October 2006. Koppers was joined in the third case (which had already been pending against the BNSF) in May 2007. The September 2006 case was most recently amended in May, 2007 and identifies approximately 48 plaintiffs (six of whom have claims only against the BNSF under the Federal Employees Liability Act). The October 2006 case was amended in April, 2007 and identifies a total of 11 plaintiffs. The third case, which is the only one of the three cases filed in Tarrant County, Texas, identifies a total of 93 plaintiffs, of whom 92 are interveners. Discovery is proceeding in these cases.

The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. 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.

Grenada—All Cases. Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in toxic tort lawsuits in state court in Mississippi (see "Grenada—State Court Cases" below) and in federal court in Mississippi (see "Grenada—Federal Court Cases" below) arising from the operation of the Grenada facility. The complaints allege that plaintiffs were exposed to harmful levels of various toxic chemicals, including creosote, pentachlorophenol, polycyclic aromatic hydrocarbons and dioxin, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and, in some cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. Based on the experience of Koppers Inc. in defending previous toxic tort cases, the Company does not believe that the damages sought by the plaintiffs in the state and federal court cases are supported by the facts of the cases. Other than for cases in which a verdict has been rendered (see "Grenada—Federal Court Cases" below), the

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Company has not provided a reserve for these lawsuits because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. Although Koppers Inc. intends to vigorously defend these cases, there can be no assurance that an unfavorable resolution of these matters will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations. See "Environmental and Other Liabilities Retained or Assumed by Others" for additional information.

Grenada—Federal Court Cases.

Beck Case—The complaint in this case was originally filed by approximately 110 plaintiffs. Pursuant to an order granting defendants' motion to sever, the court dismissed the claims of 98 plaintiffs in the Beck case without prejudice to their right to re-file their complaints. In December 2005, 94 of the 98 plaintiffs in the Beck case whose claims were dismissed re-filed their complaints. The plaintiffs in the 94 cases that were re-filed seek compensatory damages from the defendants of at least \$5.0 million for each of eight counts and punitive damages of at least \$10.0 million for each of three counts (in addition to damages for an unspecified amount for alleged trespass and nuisance). No discovery orders have been issued with respect to the 94 additional cases. The claims of the 12 plaintiffs whose claims were not dismissed are still pending. The 12 remaining plaintiffs seek compensatory damages from the defendants in an unspecified amount and punitive damages of \$20.0 million for each of four counts. The court ordered that the claims of the 12 remaining Beck plaintiffs must be tried separately.

The first of these trials commenced on April 17, 2006, and the jury returned a verdict of 20 percent of \$845,000 against Koppers Inc. for compensatory damages and no liability for punitive damages. Subsequent to the verdict, the court reduced the compensatory damages judgment by \$60,000 to \$785,000. The Company accrued its portion of the verdict in the first quarter of 2006. Koppers Inc. has appealed the judgment entered against it to the United States Court of Appeals for the Fifth Circuit. Koppers Inc. filed its brief with the Court of Appeals in February 2007. The Court of Appeals has not scheduled oral argument or reached a decision on the appeal. The remaining 11 trials have been stayed pending the appeal by Koppers Inc. of the judgment entered in the first case.

Ellis Case—There are approximately 1,130 plaintiffs in this case. Each plaintiff seeks compensatory damages from the defendants of at least \$5.0 million for each of seven counts and punitive damages of at least \$10.0 million for each of three counts (in addition to damages for an unspecified amount for trespass and nuisance). The Ellis complaint also requests injunctive relief. These cases have been stayed pending the completion of the trials for the 12 plaintiffs in the Beck case.

Grenada—State Court Cases. The state court cases were brought on behalf of 222 plaintiffs in five counties in Mississippi. Each plaintiff seeks compensatory damages from the defendants of at least \$5.0 million for each of up to eight counts and punitive damages of at least \$10.0 million for each of three counts. Certain plaintiffs also seek damages for alleged trespass and private nuisance in unspecified amounts together with injunctive relief. The Mississippi Supreme Court ordered that the plaintiffs in the pending state court cases filed in counties other than Grenada County (118 cases), with the appropriate venue being Grenada County. Plaintiffs' counsel has commenced the process to transfer ten such cases to Grenada County. Those cases are now the subject of motions to dismiss, on the ground that the Mississippi Supreme Court has since ruled that such cases should be dismissed and refiled individually, not simply transferred. Motions to dismiss the remaining plaintiffs in the four

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non-Grenada County cases are pending. Until the resolution of the motions to dismiss, discovery in the four non-Grenada County cases will remain stayed.

With respect to the state court case that was originally filed in Grenada County, the court granted the defendants' motion to sever the claims of these plaintiffs for improper joinder. These plaintiffs then filed 104 individual complaints in Grenada County. Of these, 15 have been dismissed to date. Motions for summary judgment on behalf of defendants based on the Mississippi statute of limitations have been filed in 60 of the remaining cases. Motions to dismiss are pending in 11 additional cases for want of prosecution or failure to comply with court orders. Discovery is proceeding in the remaining cases in the Grenada County litigation.

Legal Reserves Rollforward. The following table reflects changes in the accrued liability for legal proceedings:

	June 30, 2007	December 31, 2006
	<i>(Dollars in millions)</i>	
Balance at beginning of year	\$ 1.2	\$ 3.1
Expense	0.8	0.8
Reversal of reserves	(0.1)	—
Cash expenditures	(0.8)	(2.6)
Currency translation	—	(0.1)
Balance at end of period	<u>\$ 1.1</u>	<u>\$ 1.2</u>

Expense accruals and cash expenditures in 2007 primarily relate to the New Zealand Commerce Commission ("NZCC") matter. Expense for 2006 consists primarily of the amount of the verdict rendered against Koppers Inc. in May 2006 related to the Grenada litigation and other costs related to the NZCC matter. Cash expenditures for 2006 consisted of the Company's penalty related to the NZCC matter.

Environmental and Other Litigation Matters

The Company is 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 they are probable and reasonably estimable.

Environmental and Other Liabilities Retained or Assumed by Others. The Company has agreements with former owners of certain of its operating locations under which the former owners retained, assumed and/or agreed to indemnify the Company 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 the Company and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify the Company against certain liabilities, damages, losses and costs, including,

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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 unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee (the "Guarantee"). Beazer Limited became a wholly owned indirect subsidiary of Hanson PLC in 1991. In 1998, Hanson PLC 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 the Company) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re. On May 15, 2007, Hanson PLC announced that they had reached an agreement to be acquired by HeidelbergCement AG and subsequently, the shareholders of Hanson PLC approved the transaction on July 31, 2007.

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. agreed to pay Beazer East a total of \$7.0 million in four installments over three years and to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The first three payments of \$2.0 million each were made in July 2006, 2005 and 2004, respectively. The final installment of \$1.0 million was paid by the Company to Beazer East on July 1, 2007. 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, or 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 of the Company's manufacturing and other sites. Three sites currently owned and operated by the Company in the United States are 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 include all of the National Priorities List sites and all but one of the sites permitted under the

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Resource Conservation and Recovery Act ("RCRA")), substantially 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 the Company'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, amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately \$15.2 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 are currently in discussions 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 is held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on the Company 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 sheets with respect to such matters, which could result in its having significant additional negative net worth.

Domestic Environmental Matters. Koppers Inc. was named as a potentially responsible party (a "PRP") at a CERCLA Superfund site in Amelia, Louisiana in May 2007; however no PRP group has formed at this point. Consequently, the Company's cost sharing responsibility, if any, has not been determined. Due to the preliminary stage of Koppers Inc.'s involvement in the site, the Company has not provided a reserve for this matter because at this time it cannot reasonably estimate the amount of loss, if any.

Koppers Inc. was named as a potentially responsible party (a "PRP") at a CERCLA Superfund site in Calvert City, Kentucky in November 2006 and has subsequently joined the PRP group. The Company's cost sharing responsibility as a member of the PRP group is currently calculated at less than two percent, but is subject to adjustment based on a final allocation agreement to be negotiated among the PRP's. Due to the preliminary stage of the PRP group's involvement in the site and the assessment of the contamination remediation effort, the Company has not provided a reserve for this matter because at this time it cannot reasonably estimate the amount of loss, if any.

The Illinois Environmental Protection Agency (the "IEPA") has requested that Koppers Inc. conduct a voluntary investigation of soil and groundwater at its Stickney, Illinois carbon materials and chemicals facility. The IEPA advised Koppers Inc. that it made such request as a result of a reported release of oil-like material from Koppers Inc.'s property into an adjacent river canal. Koppers Inc. has agreed to conduct such investigation in cooperation with Beazer East and intends to seek contribution and/or indemnification from third parties with respect to a portion of such costs. The preliminary results of the site investigation were received in the fourth quarter of 2006. These results were reviewed with IEPA in July 2007 and will be subject to further analysis and assessment by the Company, Beazer East and the IEPA before progressing to risk assessment. The Company has not provided a reserve for this matter because at this time it cannot reasonably determine the probability of loss, and the amount, if any, cannot reasonably be estimated.

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

In October 1996, Koppers Inc. received a Clean Water Act (CWA) information request from the EPA. This information request asked for comprehensive information on discharge permits, applications for discharge permits, discharge monitoring reports and the analytical data in support of the reports and applications. The EPA alleged that Koppers Inc. violated various provisions of the CWA. Koppers Inc. subsequently entered into a Consent Decree and agreed, among other things, to a \$2.9 million settlement, payable in three annual installments which was paid in full by April 2005. In 2005 Koppers Inc. filed to terminate the Consent Decree at which time the EPA informed Koppers Inc. that it will seek civil penalties for any CWA violations from 2001 to 2005 concurrent with the termination of the Consent Decree. Koppers Inc. and the EPA have agreed to a settlement of \$0.5 million for such civil penalties and the Company has provided a reserve for the amount of the settlement.

In August 2005, Koppers Inc. received a CWA information request from Region 4 of the EPA. Region 4 encompasses six of Koppers Inc.'s facilities, of which four are currently operating. This information request asked for comprehensive information on discharge permits, applications for discharge permits, discharge monitoring reports and the analytical data in support of the reports and applications as well as engineering studies and a limited number of specific inspection records. Koppers Inc. subsequently provided the EPA with certain information to assist it in its review. In December 2006, Koppers Inc. received information from Region 4 regarding alleged violations by Koppers Inc. The Company is awaiting further correspondence from the EPA with respect to its intention to continue to pursue the matter. The Company has not provided a reserve for this matter because at this time it cannot reasonably determine the probability of loss, and the amount, if any, cannot reasonably be estimated.

In May 2007, Koppers Inc. received a separate information request from Region 4 of the EPA on all releases of hazardous materials from its facilities in Region 4 for a five-year period. Koppers Inc. has provided the requested information.

In August 2005, the Pennsylvania Department of Environment Protection (the "PADEP") proposed a fine related to alleged water discharge exceedances from a storm water sewer pipe at the Company's tar distillation facility in Clairton, Pennsylvania. In December 2006, the Company reached a preliminary settlement of the fine with PADEP for \$0.5 million, subject to the execution of a consent order that the Company is currently negotiating with the PADEP. Accordingly, the Company has reserved the amount of the settlement. The Company has also proposed to undertake certain engineering and capital improvements at a cost of approximately \$1.5 million to address this matter. The consent order will likely provide for stipulated penalties for any additional exceedances that occur between the date of the execution of the consent order and the date of completion of such capital improvements.

In June 2007, Koppers Inc. and the EPA's Office of Suspension and Disbarment reached a tentative agreement to an 18-month extension to Koppers Inc.'s compliance agreement related to violations at Koppers Inc.'s Woodward Coke facility prior to its closure in January 1998. The original compliance agreement was scheduled to expire in July 2007. A failure on the Company's part to comply with the terms of the compliance agreement could lead to significant costs and sanctions, including the potential for suspension or debarment from governmental contracts. A suspension or disbarment from governmental contracts would have a material adverse effect on the Company's business, financial condition, cash flows and results of operation.

Australasian Environmental Matters. Soil and groundwater contamination has been detected at certain of the Company's Australasian facilities. At the Company's tar distillation facility in

Koppers Holdings Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)

Newcastle, New South Wales, Australia, soil contamination from an abandoned underground coal tar pipeline and other groundwater contamination has been detected at a property adjacent to the facility. In December 2006 the Company and the owner of the adjacent property reached an agreement in principle pursuant to which the Company will contribute \$1.6 million and the owner of the adjacent property will contribute \$5.3 million toward remediation of the property. Subject to the approval of a remediation action plan by local environmental authorities, 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. The Company has reserved its expected total remediation costs of \$1.6 million at June 30, 2007.

Other Australasian environmental matters include soil and groundwater remediation at a former wood products facility in Hume, Australia. The soil remediation is substantially complete. In the fourth quarter of 2006, a Phase II environmental assessment was completed that indicated estimated groundwater remediation costs of between \$0.6 million and \$2.0 million. The Company is currently working with local environmental authorities to determine the preferred method of remediation. The Company has reserved approximately \$0.9 million for remediation costs at this site which represent its best estimate of groundwater and remaining soil remediation.

Environmental Reserves Rollforward. The following table reflects changes in the accrued liability for environmental matters:

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	<i>(Dollars in millions)</i>	
Balance at beginning of year	\$ 5.6	\$ 3.8
Expense	1.1	3.7
Reversal of reserves	—	(0.5)
Cash expenditures	(0.5)	(1.8)
Currency translation	0.2	0.4
Balance at end at end of period	<u>\$ 6.4</u>	<u>\$ 5.6</u>

Expense for 2007 consisted primarily of accruals for closed facility remediation, estimated remediation costs at the Newcastle tar distillation facility and soil remediation at a site in Australia. Expense for 2006 consisted primarily of accruals of \$1.2 million for soil and groundwater remediation at the Company's former wood products facility in Hume, Australia, \$0.6 million for estimated settlement costs related to the Company's Clairton facility, \$0.4 million for CWA assessments, \$0.4 million for waste material disposal at certain Koppers Arch facilities in Australia and New Zealand and \$0.4 million for soil disposal costs at the Company's facility in Port Clarence, UK. Reversals of reserves for 2006 included \$0.4 million for estimated settlement costs related to the Company's Clairton facility.

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

Certain sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations" include forward-looking statements concerning trends or events potentially affecting the businesses of Koppers. These statements typically contain words such as "believes", "anticipates", "expects", "estimates", "may", "will", "should", "continue", "plans", "intends", "likely", or other similar words indicating that future outcomes are uncertain. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, although not necessarily all factors, which would cause future outcomes to differ materially from those set forth in the forward-looking statements. For additional risk factors affecting our business, see Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The following discussion and analysis of the Company's 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 Company's audited consolidated financial statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Overview

Koppers is a leading integrated global provider of carbon compounds and commercial wood treatment products. The Company's products are used in a variety of niche applications in a diverse range of end-markets, including the aluminum, railroad, specialty chemical, utility, rubber and steel industries. Koppers serves its customers through a comprehensive global manufacturing and distribution network, which includes manufacturing facilities located in the United States, Australia, China, the United Kingdom and Denmark.

The Company operates two principal businesses, **Carbon Materials & Chemicals ("CM&C")** and **Railroad & Utility Products ("R&UP")**. Through the Company's Carbon Materials & Chemicals business, Koppers believes it is the largest distiller of coal tar in North America, Australia, the United Kingdom and Scandinavia. The Company processes coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are critical intermediate materials in the production of aluminum, the pressure treatment of wood and the production of plasticizers and specialty chemicals, respectively. Through its Railroad & Utility Products business, Koppers is the largest North American supplier of railroad crossties. The Company's other commercial wood treatment products include the provision of utility poles to the electric and telephone utility industries.

Outlook

Seasonality and Effects of Weather on Operations

The Company's quarterly operating results fluctuate due to a variety of factors that are outside its control, including inclement weather conditions, which in the past have affected operating results. Operations at several facilities have been halted for short periods of time during the winter months. Moreover, demand for some of the Company's products declines during periods of inclement weather. As a result of the foregoing, the Company anticipates that it may experience material fluctuations in quarterly operating results. Historically, the Company's operating results can be significantly lower in the fourth and first calendar quarters as compared to the second and third calendar quarters. The Company expects this seasonality trend to continue in future periods.

Sale of Koppers Arch

On July 5, 2007, the Company sold its 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch") to Arch Chemicals for net cash proceeds of \$14.9 million. Effective as of this date, Koppers Arch will be classified as a discontinued operation in the Company's statement of operations and earnings per share. The Company expects to recognize a gain from the sale, net of tax, of approximately \$6.0 million in the third quarter of 2007. For the three and six months ended June 30, 2007, Koppers Arch contributed \$14.5 million and \$27.1 million, respectively, of revenues and \$0.0 million and \$0.1 million, respectively, of net income to the consolidated results of the Company.

Results of Operations – Comparison of Three Months Ended June 30, 2007 and June 30, 2006

Consolidated Results

Net sales for the three months ended June 30, 2007 and 2006 are summarized by segment in the following table:

	Three Months Ended June 30,		Net Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Carbon Materials & Chemicals	\$236.3	\$183.8	+29%
Railroad & Utility Products	123.7	114.1	+8%
	<u>\$360.0</u>	<u>\$297.9</u>	+21%

CM&C net sales increased by \$52.5 million or 29 percent due to the following changes in volume, pricing and foreign exchange:

	Price	Volume	Foreign Exchange	Net Change
Carbon Materials (a)	+7%	+8%	+2%	+17%
Distillates (b)	+1%	+2%	+1%	+4%
Coal Tar Chemicals (c)	+3%	+2%	— %	+5%
Other (d)	+2%	-1%	+2%	+3%
Total CM&C	<u>+13%</u>	<u>+11%</u>	<u>+5%</u>	<u>+29%</u>

(a) Includes carbon pitch and refined tar.

(b) Includes creosote and carbon black feedstock.

(c) Includes naphthalene and phthalic anhydride.

(d) Includes carbon black, furnace coke, wood treatment chemicals, benzole, freight and other products.

Carbon materials' prices increased in the U.S., Europe and Australasia as customer prices have increased in response to substantially higher raw material costs. The increase in carbon materials sales volume is due primarily to the acquisition of certain imported carbon pitch supply contracts from Reilly Industries Inc. ("Reilly acquisition") in April 2006. These acquired contracts resulted in a total sales volume increase in the quarter ended June 30, 2007 of eight percent.

Overall, distillate pricing improved due to higher prices for creosote in the U.S. partially offset by decreases in carbon black feedstock prices in Europe and Australia. The increase in distillate sales volume is due primarily to higher volumes from Australasian and European carbon black feedstock sales.

For coal tar chemicals, increases in U.S. phthalic anhydride prices resulted in a sales increase of two percent and increases in worldwide naphthalene prices resulted in a sales increase of one percent. Phthalic anhydride and naphthalene both experienced volume increases of one percent each. With respect to other products, furnace coke in the U.S. and benzole in Europe realized higher pricing of one percent each as compared to the prior year quarter.

R&UP net sales increased by \$9.6 million or eight percent due to the following changes in volume and pricing:

	Price	Volume	Net Change
Railroad Crossties (a)	+2%	— %	+2%
TSO Crossties (b)	+2%	+1%	+3%
Distribution Poles	+2%	-1%	+1%
Other (c)	+5%	-3%	+2%
Total R&UP	+11%	-3%	+8%

(a) Includes treated and untreated railroad crossties.

(b) Includes sales from treatment services only ("TSO").

(c) Includes transmission poles, pilings, creosote, freight and other treated and untreated lumber products.

Sales price increases of treated railroad crossties totaled two percent in the quarter ended June 30, 2007 while volume increases of treated railroad crossties of two percent were offset by volume decreases in untreated railroad crossties. Higher raw material costs contributed to the pricing increases realized in treated railroad crossties, TSO crossties and distribution poles.

The price increase in other products is due primarily to higher creosote prices totaling five percent as a result of higher raw material costs. Partially offsetting this is a volume decrease totaling two percent as a result of the disposal of the Company's specialty trackwork business in 2006.

Cost of sales as a percentage of net sales was 79 percent for the quarter ended June 30, 2007 as compared to 84 percent for the quarter ended June 30, 2006. Overall, cost of sales increased by \$34.6 million when compared to the prior year period due primarily to higher raw material costs and foreign exchange.

Depreciation and amortization for the quarters ended June 30, 2007 and 2006 was \$8.2 million in both periods.

Selling, general and administrative expenses for the quarter ended June 30, 2007 were \$3.2 million higher when compared to the prior year period primarily due to increased costs related to management incentive, stock-based compensation programs, board of director compensation and investment in sales and administrative functions in China.

Interest expense for the quarter ended June 30, 2007 was \$0.4 million higher when compared to the prior year period primarily due to higher average debt levels over the quarterly period as a result of additional term loan borrowings for the Reilly acquisition at the end of April 2006.

Income taxes for the quarter ended June 30, 2007 were \$6.0 million higher when compared to the prior year period primarily due to the increase in pretax income of \$23.3 million which was partially offset by a decrease in the effective income tax rate. The Company's effective income tax rate for the quarter ended June 30, 2007 was 31.9 percent as compared to the prior year period of 46.2 percent. The decrease in the effective tax rate is due to the recognition of non-conventional fuel tax credits in 2007 as well as the favorable impact from the mix of estimated earnings between the U.S. and Australia.

Segment Results

Segment operating profit for the three months ended June 30, 2007 and 2006 are summarized by segment in the following table:

	Three Months Ended June 30,		% Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Operating profit:			
Carbon Materials & Chemicals	\$33.9	\$ 16.1	+111%
Railroad & Utility Products	13.0	5.8	+124%
Corporate	(0.9)	(0.2)	-350%
	<u>\$46.0</u>	<u>\$ 21.7</u>	<u>+112%</u>
Operating profit as a percentage of net sales:			
Carbon Materials & Chemicals	14.3%	8.8%	+5.5%
Railroad & Utility Products	10.5%	5.1%	+5.4%
	<u>12.8%</u>	<u>7.3%</u>	<u>+5.5%</u>

Carbon Materials & Chemicals net sales and operating profit by geographic region for the three months ended June 30, 2007 and 2006 is summarized in the following table:

	Three months ended June 30,		% Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Net sales:			
North America	\$114.5	\$ 90.8	+26%
Australasia including China	65.2	46.3	+41%
Europe	56.6	46.7	+21%
	<u>\$236.3</u>	<u>\$183.8</u>	<u>+29%</u>
Operating profit:			
North America	\$ 21.9	\$ 8.5	+158%
Australasia including China	8.8	5.2	+69%
Europe	3.2	2.4	+33%
	<u>\$ 33.9</u>	<u>\$ 16.1</u>	<u>+111%</u>

North American CM&C sales increased \$23.7 million due primarily to higher volumes of imported carbon pitch from the Reilly acquisition totaling \$14.0 million and higher prices for carbon pitch, refined tar, creosote, phthalic anhydride and furnace coke totaling \$13.5 million. This was partially offset by lower sales volumes of commercial roofing products totaling \$2.0 million. Operating profit as a percentage of net sales increased to 19 percent from 9 percent between periods reflecting an increase in pricing for carbon materials, furnace coke and phthalic anhydride due primarily to higher raw material costs, realized operating efficiencies related to the Reilly acquisition and the favorable impact of lower usage and pricing for petroleum materials.

Australasian CM&C sales increased \$18.9 million due primarily to higher prices for carbon pitch, naphthalene and carbon black totaling \$3.7 million and higher volumes for carbon pitch and carbon black feedstock totaling \$9.1 million. Operating profit as a percentage of net sales increased to 13 percent from 11 percent between periods due to higher carbon pitch prices.

European CM&C sales increased \$9.9 million due primarily to higher prices for naphthalene and carbon pitch totaling \$5.4 million. In addition, exchange rate movements provided additional sales of \$3.9 million. Operating profit as a percentage of net sales increased to 6 percent from 5 percent and is consistent between periods.

Railroad & Utility Products operating profit for the quarter ended June 30, 2007 increased \$7.2 million as compared to the prior period. Operating profit as a percentage of net sales increased to 11 percent from 5 percent between periods due to higher prices for treated railroad crossties, crosstie treatment services, distribution poles and creosote in addition to the mix impact of higher volumes of treated railroad crossties and crosstie treatment services. Operating profit was also negatively impacted for the quarter ended June 30, 2006 by the loss on the sale of the Company's specialty trackwork business and other plant closure costs totaling \$1.9 million.

Results of Operations – Comparison of Six Months Ended June 30, 2007 and June 30, 2006

Consolidated Results

Net sales for the six months ended June 30, 2007 and 2006 are summarized by segment in the following table:

	Six Months Ended June 30,		Net Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Carbon Materials & Chemicals	\$436.0	\$339.0	+29%
Railroad & Utility Products	245.1	223.5	+10%
	<u>\$681.1</u>	<u>\$562.5</u>	<u>+21%</u>

CM&C net sales increased by \$97.0 million or 29 percent due to the following changes in volume, pricing and foreign exchange:

	Price	Volume	Foreign Exchange	Net Change
Carbon Materials (a)	+6%	+9%	+2%	+17%
Distillates (b)	— %	+3%	+1%	+4%
Coal Tar Chemicals (c)	+3%	+1%	— %	+4%
Other (d)	+2%	— %	+2%	+4%
Total CM&C	<u>+11%</u>	<u>+13%</u>	<u>+5%</u>	<u>+29%</u>

(a) Includes carbon pitch and refined tar.

(b) Includes creosote and carbon black feedstock.

(c) Includes naphthalene and phthalic anhydride.

(d) Includes carbon black, furnace coke, wood treatment chemicals, benzole, freight and other products.

Carbon materials' prices increased in the U.S., Europe and Australasia as customer prices have been renegotiated in response to substantially higher raw material costs. The increase in carbon materials sales volume is due primarily to the acquisition of certain imported carbon pitch supply contracts from Reilly Industries Inc. ("Reilly acquisition") in April 2006. These acquired contracts resulted in a total sales volume increase for the six months ended June 30, 2007 of eight percent.

Overall, distillate pricing was flat for the six months ended June 30, 2007 as price decreases in carbon black feedstock prices in Europe and Australia were partially offset by increases in creosote prices in the U.S. The increase in distillate sales volume is due primarily to higher Australasian and European carbon black feedstock sales totaling two percent.

For coal tar chemicals, increases in worldwide naphthalene prices resulted in a sales increase of two percent. Volume increases from naphthalene of two percent were offset by decreases in volume from phthalic anhydride sales. With respect to other products, furnace coke realized higher pricing totaling one percent as compared to the prior year period.

R&UP net sales increased by \$21.6 million or 10 percent due to the following changes in volume and pricing:

	<u>Price</u>	<u>Volume</u>	<u>Net Change</u>
Railroad Crossties (a)	+3%	+1%	+4%
TSO Crossties (b)	+2%	+1%	+3%
Distribution Poles	+2%	-2%	— %
Other (c)	+5%	-2%	+3%
Total R&UP	<u>+12%</u>	<u>-2%</u>	<u>+10%</u>

(a) Includes treated and untreated railroad crossties.

(b) Includes sales from treatment services only ("TSO").

(c) Includes transmission poles, pilings, creosote, freight and other treated and untreated lumber products.

Sales price increases of treated railroad crossties totaled three percent for the six months ended June 30, 2007. Volume increases in treated railroad crossties of four percent were partially offset by volume decreases in untreated railroad crossties of three percent. The price increase in other products is primarily due to higher creosote prices totaling four percent. Higher raw material costs contributed to the pricing increases realized in treated railroad crossties and creosote.

Cost of sales as a percentage of net sales was 81 percent for the six months ended June 30, 2007 as compared to 84 percent for the six months ended June 30, 2006. Overall, cost of sales increased by \$80.6 million when compared to the prior year period due primarily to higher raw material volumes from the Reilly acquisition, higher raw material costs and foreign exchange.

Depreciation and amortization for the six months ended June 30, 2007 was \$0.5 million higher when compared to the prior year period due to the amortization of tangible and intangible assets acquired in the Reilly acquisition.

Selling, general and administrative expenses for the six months ended June 30, 2007 were \$1.1 million higher when compared to the prior year period primarily due to increased costs related to management incentive, stock-based compensation programs, board of director compensation and investment in sales and administrative functions in China. Partially offsetting this increase was a one-time expense totaling \$3.0 million for the termination of the Saratoga Partners III, L.P. ("Saratoga") advisory services contract recognized in the six months ended June 30, 2006.

Interest expense for the six months ended June 30, 2007 was \$14.8 million lower when compared to the prior year period primarily due to costs incurred in the six months ended June 30, 2006 related to the Company's initial public offering. The proceeds from the offering were used to redeem \$101.7 million of the 9^{7/8}% Senior Secured Notes due 2013 (the "Senior Secured Notes") which resulted in expenses totaling \$14.4 million for call premiums, bond consent fees and the write-off of deferred financing costs.

Income taxes for the six months ended June 30, 2007 were \$15.9 million higher when compared to the prior year period due primarily to the increase in pretax income of \$50.5 million. The Company's effective income tax rate for the six months ended June 30, 2007 was 31.4 percent and differs from the U.S. federal statutory rate of 35.0 percent due to the recognition of non-conventional fuel tax credits

(-6.0 percent) offset by taxes on foreign earnings (+2.3 percent). Pre-tax income was breakeven for the six months ended June 30, 2006 and accordingly, income tax expense was nil.

Segment Results

Segment operating profit for the six months ended June 30, 2007 and 2006 is summarized by segment in the following table:

	Six Months Ended June 30,		% Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Operating profit:			
Carbon Materials & Chemicals	\$49.6	\$ 26.8	+85%
Railroad & Utility Products	25.7	11.0	+134%
Corporate	(1.2)	(0.1)	-1,100%
	<u>\$74.1</u>	<u>\$ 37.7</u>	<u>+97%</u>
Operating profit as a percentage of net sales:			
Carbon Materials & Chemicals	11.4%	7.9%	+3.5%
Railroad & Utility Products	10.5%	4.9%	+5.6%
	<u>10.9%</u>	<u>6.7%</u>	<u>+4.2%</u>

Carbon Materials & Chemicals net sales and operating profit by geographic region for the six months ended June 30, 2007 and 2006 is summarized in the following table:

	Six months ended June 30,		% Change
	2007	2006	
	<i>(Dollars in millions)</i>		
Net sales:			
North America	\$210.7	\$163.4	+29%
Australasia including China	117.9	88.6	+33%
Europe	107.4	87.0	+23%
	<u>\$436.0</u>	<u>\$339.0</u>	<u>+29%</u>
Operating profit:			
North America	\$ 29.6	\$ 12.0	+147%
Australasia including China	14.4	9.4	+53%
Europe	5.6	5.4	+4%
	<u>\$ 49.6</u>	<u>\$ 26.8</u>	<u>+85%</u>

North American CM&C sales increased \$47.3 million due primarily to higher volumes of carbon pitch sales due to imported carbon pitch contracts assumed in the Reilly acquisition and higher creosote sales volumes totaling \$29.1 million. In addition improved prices for carbon pitch, refined tar, phthalic anhydride and furnace coke contributed increased sales of \$18.2 million. Operating profit as a percentage of net sales increased to 14 percent from 7 percent between periods reflecting an increase in pricing for carbon materials, furnace coke, naphthalene and phthalic anhydride due primarily to higher raw material costs, realized operating efficiencies related to the Reilly acquisition and the favorable impact of lower usage and pricing for petroleum materials.

Australasian CM&C sales increased \$29.3 million due primarily to higher prices for carbon pitch and carbon black totaling \$6.8 million and higher volumes for carbon pitch and carbon black feedstock totaling \$11.7 million. In addition, changes in foreign exchange rates contributed \$8.7 million of increased sales. Operating profit as a percentage of net sales increased to 12 percent from 11 percent and is consistent between periods.

European CM&C sales increased \$20.4 million due primarily to higher prices for naphthalene, carbon pitch and benzole totaling \$11.8 million. In addition, changes in foreign exchange rates contributed \$8.4 million of increased sales. Operating profit as a percentage of net sales decreased to 5 percent from 6 percent as a result of higher costs of raw materials.

Railroad & Utility Products operating profit for the six months ended June 30, 2007 increased by \$14.7 million as compared to the prior period. Operating profit as a percentage of net sales increased to 11 percent from 5 percent between periods due to higher prices for treated railroad crossties, crosstie treatment services, creosote and distribution poles in addition to the mix impact of higher volumes of treated railroad crossties. Operating profit was also negatively impacted for the six months ended June 30, 2006 by R&UP's share of the Saratoga advisory services contract buyout expense of \$1.5 million in addition to the loss on the sale of the Company's specialty trackwork business and other plant closure costs totaling \$1.9 million.

Cash Flow

Net cash provided by operating activities was \$28.8 million for the six months ended June 30, 2007 as compared to net cash used by operating activities of \$4.4 million for the six months ended June 30, 2006. The cash flow for the prior period included payments associated with the initial public offering totaling \$14.2 million for call premiums on the Senior Secured Notes, bond consent fees and the buyout of the Saratoga advisory services contract in addition to the payment of a legal settlement totaling \$2.6 million. Excluding these amounts, net cash flow from operating activities increased by \$16.4 million between periods due to improved net income partially offset by increased working capital requirements.

Net cash used by investing activities was \$13.8 million for the six months ended June 30, 2007 as compared to \$47.3 million for the six months ended June 30, 2006 which included \$40.0 million for the Reilly acquisition. Acquisition expenditures in 2007 of \$3.3 million relate to deferred purchase price payments for Lambson Speciality Chemicals Limited, which was acquired in 2005. Capital expenditures in 2007 are expected to total approximately \$32.5 million, including expenditures for the Company's 30 percent interest in the new coal tar distillation joint venture in China but excluding acquisitions.

Net cash used by financing activities was \$13.5 million for the six months ended June 30, 2007 as compared to net cash provided by financing activities of \$49.7 million for the six months ended June 30, 2006. The cash flow for the prior period included the net proceeds from the Company's initial public offering of \$112.4 million partially offset by the redemption of the Senior Secured Notes of \$101.7 million. Additionally, term loan borrowings of \$50.0 million under Koppers Inc.'s senior secured credit facility were used to provide for the Reilly acquisition and payment of other amounts related to the initial public offering. Net repayments of debt totaled \$6.3 million in the six months ended June 30, 2007 as a result of higher cash provided by operating activities.

Dividends paid were \$7.1 million in the six months ended June 30, 2007 as compared to dividends paid of \$10.3 million for the six months ended June 30, 2006. Dividends paid in the six months ended June 30, 2007 reflect a quarterly dividend rate of 17 cents per common share. Dividends paid in the prior period include a special dividend declared prior to the Company's initial public offering of 69 cents per common share.

On August 8, 2007, the Company's board of directors declared a quarterly dividend of 17 cents per common share, payable on October 1, 2007 to shareholders of record as of August 20, 2007.

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 payments of principal, interest and other amounts on the 9 ⁷/₈% Senior Discount Notes due 2014 (the "Senior Discount Notes"). The terms of Koppers Inc.'s senior secured credit facility as well as the terms of the indenture governing the Senior Secured Notes significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to Koppers Holdings. The amount of permitted dividends under both debt facilities is governed by a formula based on 50 percent of consolidated net income, among other things. Cash equity contributions from the sale of Koppers Holdings' common stock increase the amount available for dividends. At the time of the payment of the dividend, no event of default shall have occurred or be continuing under the indenture or the senior secured credit facility.

Under the indenture relating to the Senior Secured Notes, Koppers Inc. must have an EBITDA (as defined in the indenture) to consolidated interest expense ratio of at least 2.0 to 1.0. Additionally the senior secured credit facility requires compliance with all financial covenants and availability of at least \$15.0 million under the revolving credit facility after giving effect to any proposed dividend. Significant reductions in net income or increases to indebtedness affecting compliance with financial covenants or availability under the senior secured credit facility would restrict Koppers Inc.'s ability to pay dividends. As of June 30, 2007, dividends available to be declared based on covenant restrictions under the Senior Discount Notes amounted to \$133.1 million. As of June 30, 2007, dividends available to be declared based on covenant restrictions under the Senior Secured Notes amounted to \$126.4 million.

Liquidity

The Koppers Inc. senior secured credit facility agreement, as amended, provides for a revolving credit facility of up to \$125.0 million and term loans of \$46.0 million at variable rates. The senior secured credit facility expires in December 2009. Amounts outstanding under the senior secured credit agreement are secured by a first priority lien on substantially all of Koppers Inc.'s assets, including the assets of certain significant subsidiaries. Revolving credit availability is calculated based on receivables and inventory as well as the attainment of certain financial ratios. The revolving credit facility contains certain covenants that limit capital expenditures by Koppers Inc. and restrict its ability to incur additional indebtedness, create liens on its assets, enter into leases, pay dividends and make investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. to meet certain financial ratios.

As of June 30, 2007, the Company had \$62.9 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of June 30, 2007, \$16.1 million of commitments were utilized by outstanding letters of credit. In addition, as of June 30, 2007, the Company had outstanding term loans of \$46.0 million under the credit facility. With respect to the sale of Koppers Arch on July 5, 2007, the Company expects to achieve debt reduction of approximately \$20.0 million from cash proceeds, net of tax, and removal of Koppers Arch-related debt.

The following table summarizes Koppers estimated liquidity as of June 30, 2007 (*dollars in millions*):

Cash and cash equivalents	\$26.2
Amount available under senior secured credit facility	62.9
Amount available under other credit facilities	<u>10.6</u>
Total estimated liquidity	<u>\$99.7</u>

The Company's estimated liquidity was \$85.6 million at December 31, 2006. The increase in estimated liquidity from that date is primarily due to an increase in availability under other credit facilities.

As of June 30, 2007, the Company has \$200.0 million aggregate amount of common stock, debt securities, preferred stock, depository shares and warrants (or a combination of these securities) available to be issued under its \$200.0 million universal shelf registration statement filed in 2006.

The Company's needs for cash in the next twelve months relate primarily to contractual obligations which include debt service, purchase commitments and operating leases, as well as for working capital, capital maintenance, mandatory pension plan funding and potential acquisitions. The Company believes that its cash flow from operations and available borrowings under the senior secured credit facility will be sufficient to fund its anticipated liquidity requirements for at least the next twelve months. In the event that the foregoing sources are not sufficient to fund its expenditures and service our indebtedness, the Company would be required to raise additional funds.

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, shall not be less than 1.05 to 1.0. The fixed charge coverage ratio at June 30, 2007 was 2.67 to 1.0.
- The total leverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not exceed the ratios set forth below for the periods as specified in the table below. The total leverage ratio at June 30, 2007 was 2.07 to 1.0:

<u>Fiscal Quarters Ended</u>	<u>Ratio</u>
August 15, 2005 through June 30, 2008	5.0 to 1.0
June 30, 2008 and thereafter	4.5 to 1.0

The Company is currently in compliance with all covenants in the credit agreement governing the senior secured revolving credit facility.

At June 30, 2007, Koppers Inc. had \$218.3 million outstanding of Senior Secured Notes (excluding adjustment for related interest rate swap) and Koppers Holdings had \$161.5 million outstanding of Senior Discount Notes. The Senior Secured Notes and Senior Discount Notes include customary covenants that restrict, among other things, the ability to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of the assets or enter into various transactions with affiliates. The Company is currently in compliance with all covenants in the indentures governing the Senior Secured Notes and the Senior Discount Notes.

Legal 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.

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 of Part I is hereby incorporated 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, 2006.

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, 2006.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2007 an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2007 to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. There was no change 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 June 30, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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, 2006.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's 2007 Annual Meeting of Shareholders was held on May 2, 2007. Two matters were considered and voted upon at the Annual Meeting: the election of seven persons to serve on our board of directors and the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007.

Election of Directors: Nominations of (1) Robert Cizik and Walter W. Turner to serve as directors for a one-year term expiring in 2008; (2) Christian L. Oberbeck, Clayton A. Sweeney and T. Michael Young to serve as directors for a two-year term expiring in 2009, and (3) David M. Hillenbrand and James C. Stalder to serve as directors for a three-year term expiring in 2010 were considered and each nominee was elected.

Each of the seven nominees for election of directors received a plurality of votes cast. The voting was as follows:

<u>Director Name</u>	<u>Votes for</u>	<u>Votes withheld</u>
Robert Cizik	15,237,861	4,383,241
Walter W. Turner	15,021,985	4,599,117
Christian L. Oberbeck	15,202,209	4,418,893
Clayton A. Sweeney	13,852,287	5,768,815
T. Michael Young	19,235,990	385,112
David M. Hillenbrand	18,717,459	903,643
James C. Stalder	19,236,785	384,317

Ratification of Appointment of Ernst & Young LLC: The Audit Committee of the Board of Directors appointed Ernst & Young LLP as our independent registered public accounting firm for the year 2007. The voting at the Annual Meeting to ratify the appointment of Ernst & Young LLP was as follows:

For: 19,568,156

Against: 33,961

Abstain: 18,984

ITEM 5. OTHER INFORMATION

On August 8, 2007, the Company's Board of Directors adopted resolutions providing for the amendment and restatement of the Company's bylaws. The Amendment and Restatement dated August 8, 2007, amended and restated the bylaws to correct minor typographical errors within Sections 3.04, 3.05, 3.06, 3.10(a), 4.05 and 5.10 of the prior bylaws. A copy of the bylaws, reflecting the amended and restated version adopted by the Board on August 8, 2007, is attached hereto as Exhibit 3.2 and is incorporated herein by reference.

On August 8, 2007, the Company's Board of Directors adopted the Koppers Holdings Inc. Benefit Restoration Plan, which we refer to as the new plan. The Company's principal executive officer,

principal financial officer and the Company's named executive officers are entitled to participate in the new plan. The purpose of the new plan is to restore employer non-elective contributions lost to certain participants under the Employee Savings Plan for Koppers Inc. and its subsidiaries as a result of limitations on compensation imposed by Internal Revenue Code 401(a)(17). The new plan may be terminated at any time by the Company's Board of Directors. A copy of the new plan is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

ITEM 6. EXHIBITS

- 3.2 Amended and Restated Bylaws of Koppers Holdings Inc. dated August 8, 2007.
- 10.1 Koppers Holdings Inc. Benefit Restoration Plan.
- 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.

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: August 9, 2007

By: _____ /s/ BRIAN H. MCCURRIE
Brian H. McCurrie,
Chief Financial Officer
(Principal Financial Officer,
Principal Accounting Officer)

Amended and Restated Bylaws

of

Koppers Holdings Inc.
(a Pennsylvania Corporation)

Dated August 8, 2007

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office Provider. The name of the registered office provider of the corporation and the county of venue is Corporation Service Company, Allegheny County, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the Board of Directors and a record of such change is filed with the Pennsylvania Department of State in the manner provided by law.

Section 1.02. Other Offices. The corporation may also have offices at such places within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of January in each year.

ARTICLE II

Notice—Waivers—Meetings Generally

Section 2.01. Manner of Giving Notice.

General Rule. Whenever written notice is required to be given to any person under the provisions of the Pennsylvania Business Corporation Law of 1988 (the "Business Corporation Law") or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by courier service, charges prepaid, or by facsimile transmission, to the address (or to the facsimile number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person or, in the case of facsimile transmission, when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

Section 2.02. Notice of Meetings of Board of Directors. Notice of a regular meeting of the Board of Directors need not be given, except as required by law. Notice of every special meeting of the Board of Directors shall be given to each director by telephone or in writing at least five days before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General Rule. Written notice specifying the place, date and time of every meeting of the shareholders shall be given by, or at the direction of, the Secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least ten days prior to the day named for the meeting. If the Secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be affected thereby.

(c) Adjourned Shareholder Meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with this Section 2.03.

Section 2.04. Waiver of Notice.

(a) Written Waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of Proposal Contained in Notice. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to Requirement of Notice.—Shareholders Without Forwarding Addresses. Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment. Any director may participate in any meeting of the Board of Directors, and the Board of Directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meeting. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the Board of Directors in the notice of a meeting.

Section 3.02. Annual Meeting. The Board of Directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the third Wednesday of April in such year, if not a legal holiday under the laws of the Commonwealth of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 a.m. The business at an annual meeting of shareholders shall include (a) a review of the business of the preceding year, (b) the election of directors to succeed those whose terms shall expire, and (c) such other business as may properly be brought before the meeting as provided in this Section. The proposal of business to be considered by the shareholders at an annual meeting of shareholders may be made (i) pursuant to the corporation's notice of meeting, (ii) by the presiding officer, (iii) by or at the direction of the Board of Directors, or (iv) by one or more shareholders in accordance with applicable rules of the Securities and Exchange

Commission and the provisions of this Section. For business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of the preceding sentence, such business must be a proper matter for shareholder action, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation and such notice must comply with the following requirements:

(1) To be timely, a shareholder's notice given pursuant to this Section must be received at the principal executive offices of the corporation, addressed to the Secretary, not later than (i) 90 days prior to such annual meeting (unless a different date for such notice has been stated in the corporation's most recent proxy materials distributed to shareholders), or (ii) if the annual meeting is to be held on a date other than the third Wednesday of April in such year as set forth above, the close of business on the tenth day following the first public disclosure of the date of such meeting. The first public disclosure of the date of any annual meeting of shareholders shall be when public disclosure of such meeting date is first made in a filing by the corporation with the Securities and Exchange Commission, in any notice given to the New York Stock Exchange, or in a news release reported by any national news service. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above.

(2) Each such notice from a shareholder shall set forth: (A) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the notice is given (x) the name and address of such shareholder and of such beneficial owner, and (y) the class and number of shares of the corporation which are owned of record and beneficially by such shareholder and such beneficial owner, and (B) a representation that the shareholder is a beneficial owner of stock of the corporation entitled to vote at such meeting and intends to be present at the meeting in person or by proxy to make such nomination or proposal.

(3) Each notice of nomination for the election of a director from a shareholder also shall set forth: (A) the name and address of the person to be nominated, (B) a description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareholder, (C) such other information regarding the nominee as would be required to be included in proxy materials filed under applicable rules of the Securities and Exchange Commission had the nominee been nominated by the Board of Directors, and (D) the written consent of the nominee to serve as a director of the corporation if so elected.

(4) Each notice of a proposal for action at an annual meeting from a shareholder also shall set forth a brief description of the proposal, the

reasons for making such proposal, and any direct or indirect interest of the shareholder, or any person on whose behalf the shareholder is acting, in making such proposal.

(5) The presiding officer of the meeting may refuse to permit any nomination for the election of a director or proposal to be made at any annual meeting by a shareholder who has not complied with all of the foregoing procedures.

Section 3.03. Special Meetings. Special meetings of the shareholders may be called at any time by resolution of the Board of Directors or the chairman of the Board of Directors, which may fix the date, time and place of the meeting. If the board or chairman does not fix the date, time or place of the meeting, it shall be the duty of the Secretary to do so. A date fixed by the Secretary shall not be more than 60 days after the date of the adoption of the resolution of the board calling the special meeting.

Section 3.04. Quorum and Adjournment, General Rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence in person or by proxy of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purposes of acting on such matter.

Section 3.05. Action by Shareholders. Except as otherwise provided in the Business Corporation Law, the articles, or these bylaws, when a quorum is present at a meeting, the vote of shareholders present, in person or by proxy, entitled to cast at least a majority of the votes which all shareholders present and voting (excluding abstentions) are entitled to cast on a particular matter shall decide such matter.

Section 3.06. Organization. At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the Chief Executive Officer, the President, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as chairman of the meeting. The Secretary or, in the absence of the Secretary, an Assistant Secretary shall act as Secretary of the meeting.

Section 3.07. Voting Rights of Shareholders. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share outstanding in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by the shareholder.

(b) Execution and Filing. Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the Secretary of the corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the Secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein.

Section 3.09. Voting by Fiduciaries and Pledges. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares, General Rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(a) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(b) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

Section 3.11. Voting by Corporations.

(a) Voting by Corporate Shareholders. Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the Board of Directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the Secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the Board of Directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

(b) Personal Liability of Directors.

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless: (i) the director has breached or failed to perform the duties of his or her office under Subchapter 17B of the Business Corporation Law or any successor provision; and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, State or Federal law.

(c) Notation of Dissent. A director of the corporation who is present at a meeting of the Board of Directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the action with the Secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the Secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the Secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Selection of Directors. The number, qualifications, manner of election, time and place of meeting, compensation and powers and duties of the directors of the corporation shall be fixed from time to time by or pursuant to these bylaws and the articles. Nominations for the election of directors may be made only by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote for the election of directors; but a nomination may be made by a shareholder only if written notice of such nomination has been given to the Secretary of the corporation in accordance with Section 3.02 hereof.

Section 4.03. Number and Term of Office.

(a) Number.—The Board of Directors shall consist of such number of directors, not less than 5 nor more than 15, as may be determined from time to time by resolution of the Board of Directors.

(b) Term of Office. Each director shall hold office as provided in the articles.

Section 4.04. Place of Meetings. Meetings of the Board of Directors may be held at such place within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.05. Organization of Meetings. At every meeting of the Board of Directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the Chief Executive Officer, the President, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The Secretary or, in the absence of the Secretary, an Assistant Secretary shall act as Secretary of the meeting.

Section 4.06. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors.

Section 4.07. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.08. Quorum of and Action by Directors.

(a) General Rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the Board of Directors.

(b) Action by Written Consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the Secretary of the corporation.

Section 4.09. Committees.

(a) Establishment and Powers. The Board of Directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. With respect to each committee

established by the board, the Board of Directors shall, by one or more resolutions adopted by a majority of the whole board, determine the duties and responsibilities, determine the number of members, appoint the members and the committee chair and fill each vacancy occurring in the membership.

Section 4.10. Compensation. The Board of Directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

Section 4.11. Vacancies. Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, shall be filled by a majority vote of the directors then in office, though less than a quorum, except as otherwise required by the Business Corporation Law.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation. The officers of the corporation shall be a President and Chief Executive Officer, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The Board of Directors may elect from among the members of the board a chairman of the board and a vice chairman of the board.

(b) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election, Term of Office and Resignations.

(a) Election and Term of Office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected by the Board of Directors, and each such officer shall hold office until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03. Subordinate Officers, Committees and Agents. The Board of Directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require. The Board of Directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents. Any officer or agent of the corporation may be removed by the Board of Directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Authority. General Rule. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the Board of Directors or, in the absence of controlling provisions in the resolutions or orders of the Board of Directors, as may be determined by or pursuant to these bylaws.

Section 5.06. The Chairman of the Board. The chairman of the Board shall preside at all meetings of the Board of Directors at which he is present and shall call meetings of the board and board committees when he deems them necessary. Unless otherwise precluded from doing so by these bylaws, he may be a member of the committees of the board. He shall act as chairman at all meetings of the shareholders at which he is present unless he elects that the Chief Executive Officer shall so preside. The chairman of the Board may be designated by the board as an officer of the corporation and may be elected by the board as the Chief Executive Officer. The chairman of the Board shall perform all duties as may be assigned to him by the Board of Directors.

Section 5.07. The President and Chief Executive Officer. The President shall have such powers and duties as may, from time to time, be prescribed by the Board of Directors. Unless the Board of Directors shall otherwise direct, the President shall be the Chief Executive Officer of the corporation.

The Chief Executive Officer shall have general charge of the affairs of the corporation, subject to the control of the Board of Directors. He may appoint all officers and employees of the corporation for whose election no other provision is made in these bylaws, and may discharge or remove any officer or employee, subject to action thereon by the Board of Directors as required by these bylaws. He shall be the officer through whom the board delegates authority to corporate management, and shall be responsible to see that all orders and resolutions of the board are carried into effect by the proper officers or other persons. He shall also perform all duties as may be assigned to him by the Board of Directors. The Chief Executive Officer shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these bylaws, to some other officer or agent of the corporation.

Section 5.08. The Vice Presidents. The Vice Presidents shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

Section 5.09. The Secretary. The Secretary or an Assistant Secretary shall attend all meetings of the shareholders and of the Board of Directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the Board of Directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the board or the President.

Section 5.10. The Treasurer. The Treasurer or an Assistant Treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as Treasurer in such banks or other places of deposit as the board may from time to time designate; shall, whenever so required by the board, render an account showing all transactions as Treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board or the President.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

Section 6.01. Share Certificates. Every holder of fully-paid stock in the corporation shall be entitled to a certificate or certificates, consecutively numbered, to be in such form as the Board of Directors may from time to time prescribe, and signed (in facsimile or otherwise, as permitted by law) by the President or one of the Vice

Presidents or other officer designated by the board, countersigned by the Secretary or Treasurer and sealed with the corporate seal of the corporation; and if such certificates of stock are signed or countersigned by a corporate transfer agent or a corporate registrar of this corporation, such signature of the President, Vice President or other officer, such counter-signature of the Secretary or Treasurer, and such seal, or any of them, may be executed in facsimile, engraved or printed.

Section 6.02. Share Register. The share register or transfer books and blank share certificates shall be kept by the Secretary or by any transfer agent or registrar designated by the Board of Directors for that purpose.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

Section 7.01. Scope of Indemnification.

(a) General Rule. The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) where such indemnification is expressly prohibited by applicable law;

(2) until such time as the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise: (i) to constitute willful misconduct or recklessness within the meaning of 15 Pa. C.S.A. § 1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or (ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally entitled; or (3) to the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment. If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions. For purposes of this article:

(1) “indemnified capacity” means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) “indemnified representative” means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the Board of Directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) “liability” means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys’ fees and disbursements); and

(4) “proceeding” means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provision of this article, the corporation shall not indemnify under this article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this article.

Section 7.03. Advancing Expenses. The corporation shall pay the expenses (including attorneys’ fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in a proceeding which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

Section 7.04. Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate. Absent fraud, the determination of the Board of Directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of Indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the Secretary of the corporation.

Section 7.06. Arbitration.

(a) General Rule. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided by arbitration in Pittsburgh, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a single arbitrator selected by agreement of the parties. In the event that the parties cannot agree upon the selection of an arbitrator within ten (10) days after arbitration is initiated, the parties agree that the American Arbitration Association in Pittsburgh, Pennsylvania will select the arbitrator.

(b) Arbitration Procedures. The arbitrator shall decide the dispute or controversy in accordance with the following procedures:

(1) Within ten (10) days of the selection of an arbitrator, each party shall submit to the arbitrator its written position (the "Initial Submission") provided that neither memorandum of position shall exceed 10 pages, double spaced plus such documentary evidence as the parties deem necessary. In connection with the Initial Submission, neither of the parties may submit (and the arbitrator may not accept) any additional documentation (including affidavits).

(2) Within ten (10) days of the delivery of the Initial Submission, each party may submit to the arbitrator a reply memorandum (the "Reply Submission"), provided that neither reply memorandum shall exceed 5 pages, double spaced. In connection with the Reply Submission, neither of the parties may submit (and the arbitrator may not accept) any additional documentation (including affidavits).

(3) Within ten (10) days of the expiration of the period for the delivery of the Reply Submission, the arbitrator, if he or she deems it necessary or

advisable, may call a hearing which may be by telephone conference (the "Hearing"). At any Hearing, the arbitrator may ask representatives and counsel for the parties questions with respect to the issue to be decided and positions of the parties. In connection with the Hearing, neither of the parties may offer (and the arbitrator may not accept) any testimony or additional documentation (including affidavits).

(4) Within seven (7) days after the later to occur, if such is to occur, of (i) the Hearing or (ii) the Reply Submission, the arbitrator shall render his or her decision.

(5) The arbitrator shall notify promptly the parties in writing of the decision, together with the amount of any dispute resolution costs arising with respect thereto (the "Notice of Decision"). The Notice of Decision need not contain an explanation of the decision or grounds therefor.

(6) The decision entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this article. This arbitration provision shall be specifically enforceable.

(c) Qualifications of Arbitrator. The arbitrator selected as provided herein is required to be or have been a director or executive officer of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations System.

(d) Burden of Proof. The party or parties challenging the right of an indemnified representative to the benefits of this article shall have the burden of proof.

(e) Expenses. The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

Section 7.07. Contribution. If the indemnification provided for in this article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this article or otherwise.

Section 7.08. Contract Rights; Amendment or Repeal. All rights under this article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 7.09. Scope of Article. The rights granted by this article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 7.10. Reliance on Provisions. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this article.

Section 7.11. Interpretation. The provisions of this article are intended to constitute bylaws authorized by 15 Pa. C.S.A. § 1746.

ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the Board of Directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

Section 8.02. Checks. All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the Board of Directors may from time to time designate.

Section 8.03. Contracts.

(a) General Rule. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the Board of Directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

(b) Statutory Form of Execution of Instruments. Any note, mortgage, evidence of indebtedness, contract or other document, or any assignment or endorsement thereof, executed or entered into between the corporation and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the

President or Vice President and Secretary or Assistant Secretary or Treasurer or Assistant Treasurer of the corporation, shall be held to have been properly executed for and in behalf of the corporation, without prejudice to the rights of the corporation against any person who shall have executed the instrument in excess of his or her actual authority.

Section 8.04. Corporate Records.

(a) Required Records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

KOPPERS HOLDINGS INC.
BENEFIT RESTORATION PLAN

KOPPERS HOLDINGS INC.
BENEFIT RESTORATION PLAN

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ARTICLE I

Establishment and Purpose

Koppers Holdings Inc. (the "Company") hereby establishes the Koppers Holdings Inc. Benefit Restoration Plan (the "Plan"), effective January 1, 2007 (the "Effective Date"). The purpose of the Plan is to restore employer non-elective contributions lost to participants under the Employee Savings Plan for Koppers Inc. and Subsidiaries (the "Employee Savings Plan") as a result of the limit on compensation imposed by Code Section 401(a)(17).

The Plan is not intended to meet the qualification requirements of Code Section 401(a) of the Code, but is intended to comply with Code Section 409A and other relevant provisions of the Act, and to be an unfunded arrangement providing deferred compensation to eligible employees who are part of a select group of management or highly compensated employees of the Company and/or its subsidiaries within the meaning of Sections 201, 301 and 401 of ERISA. The Plan is intended to be exempt from the requirements of Parts 2, 3 and 4 of Title I of ERISA as a "top hat" plan, and to be eligible for the alternative method of compliance for reporting and disclosure available for unfunded "top hat" plans.

ARTICLE II

Definitions

- 2.1 **Account.** Account means a bookkeeping account maintained by the Company to record Company Contributions, Investment Earnings, distributions, and such other transactions, if any, that may be required to properly administer the Plan. An Account shall be utilized solely as a device for the measurement of the value of the Account Balance to be paid to the Participant under the Plan. The Account shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for Code or ERISA purposes and amounts credited thereto shall not be considered "plan assets" for federal income tax or ERISA purposes.
- 2.2 **Account Balance.** Account Balance means the total value of a Participant's Account as of a specific date, taking into account the value of all distributions from that Account.
- 2.3 **Act.** Act means the American Jobs Creation Act of 2004, as amended, and the Treasury regulations promulgated thereunder.
- 2.4 **Beneficiary.** Beneficiary means a natural person, estate, or trust designated by a Participant to receive benefits to which a Beneficiary is entitled in accordance with provisions of the Plan. The Participant's spouse, if living, otherwise the Participant's estate, shall be the Beneficiary if:
- (a) the Participant has not designated a natural person or trust as Beneficiary, or
 - (b) the designated Beneficiary(ies) has/have all predeceased the Participant.

2.5 Change in Control. Change in Control means the first to occur of any of the following events:

- (a) a person, partnership, joint venture, corporation or other entity, or two or more of any of the foregoing acting as a “person” within the meaning of Sections 13(d)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”), other than the Company, a majority-owned subsidiary of the Company or an employee benefit plan of the Company or such subsidiary (or such plan’s related trust), become(s) the “beneficial owner” (as defined in Rule 13d-3 under the Act) of fifty percent (50%) or more of the then outstanding voting stock of the Company;
- (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the Company (together with any new board member whose election by the Company’s board or whose nomination for election by the Company’s stockholders, was approved by a vote of at least two-thirds of the board members then still in office who either were board members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board members then in office;
- (c) all or substantially all of the business of the Company is disposed of pursuant to a merger, consolidation or other transaction in which the Company is not the surviving corporation or the Company combines with another company and is the surviving corporation (unless the Corporation’s stockholders immediately following such merger, consolidation, combination, or other transaction beneficially own, directly or indirectly, more than fifty percent (50%) of the aggregate voting stock or other ownership interests of (x) the entity or entities, if any, that succeed to the business of the Company or (y) the combined company);
- (d) the closing of the sale of all or substantially all of the assets of the Company or a liquidation or dissolution of the Company; or
- (e) the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than twenty percent (20%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s stockholders which the board does not recommend such stockholders to accept.

The foregoing definition shall be amended if required by the Act or applicable Internal Revenue Service guidance.

2.6 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.

2.7 Company. Company means Koppers Holdings Inc. and any successor corporation.

2.8 Company Contributions. Company Contributions means all contributions made by the Company with respect to a Participant pursuant to Section 4.1 of the Plan.

- 2.9 Death Benefit. Death Benefit means a distribution of the total amount of the Participant's Account Balance on account of the Participant's death.
- 2.10 Committee. Committee means the Management Development and Compensation Committee of the board of directors of the Company.
- 2.11 Disability. Disability means that a Participant (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's employer. The determination of the existence of a Disability shall be made by the Plan Administrator in accordance with the Act.
- 2.12 Disability Benefit. Disability Benefit means a distribution of the total amount of the Participant's Account Balance on account of the Participant's Disability.
- 2.13 Eligible Employee. Eligible Employee means an Employee who is part of a select group of management or highly compensated employees of the Company and any Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and who is selected by the Committee to participate in the Plan.
- 2.14 Employee. Employee means a salaried employee of the Company or a Participating Employer who is eligible to participate in the Employee Savings Plan.
- 2.15 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.16 Investment Earnings. Investment Earnings shall have the meaning described in Section 4.2 of the Plan.
- 2.17 Misconduct. Misconduct means the commission of any act of fraud, embezzlement or dishonesty by a Participant, any unauthorized use or disclosure by a Participant of confidential information or trade secrets of the Company or any Participating Employer (or any parent or subsidiary thereof), or any other intentional misconduct by a Participant adversely affecting the business or affairs of the Company or any Participating Employer (or any parent or subsidiary thereof) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Company or any Participating Employer (or any parent or subsidiary thereof) to discharge or dismiss a Participant or any other person in the service of the Company or any Participating Employer (or any parent or subsidiary thereof) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan, to constitute grounds for termination for Misconduct.

- 2.18 Participant. Participant means an Eligible Employee who receives a Company Contribution under the Plan. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.
- 2.19 Participating Employer. Participating Employer means a subsidiary or affiliate of the Company that has adopted the Plan for Eligible Employees that it employs and that assumes responsibility for payment of benefits to its Participant Employees in accordance with the terms of the Plan. "Employer(s)" shall mean the Company and all Participating Employers when the context so requires.
- 2.20 Plan. Plan means the Koppers Holdings Inc. Benefit Restoration Plan as documented herein and as may be amended from time to time hereafter.
- 2.21 Plan Administrator. Plan Administrator means the Committee.
- 2.22 Plan Year. Plan Year means January 1 through December 31.
- 2.23 Separation from Service. Separation from Service means a Participant's termination of employment with the Company, including for this purpose all Participating Employers, for any reason. Whether a Separation from Service has occurred will be subject to Treasury regulations promulgated under the Act.
- 2.24 Termination Benefit. Termination Benefit means a payment by the Company or Participating Employer of a Participant's Account Balance to the Participant in the event of such Participant's Separation from Service other than an involuntary termination for Misconduct, in accordance with Article V of the Plan.
- 2.25 Valuation Date. Valuation Date shall mean each business day except as specified below. A Termination Benefit's Valuation Date shall be the last business day of the month in which the Participant's Separation from Service occurs; provided that in the case of a Termination Benefit distribution to a "key employee" described in Section 5.7, the Valuation Date shall be the last business day of the month following the date which is six months after such Participant's Separation from Service. The Valuation Date for a Disability Benefit shall be the last business day of the month in which the Plan Administrator determines that the Participant is Disabled. The Valuation Date for a Death Benefit shall be the last business day of the month in which the Participant's death occurs. The Valuation Date for a Change in Control shall be the last business day of the month in which a Participant's Separation from Service occurs within two years of the Change in Control. For purposes of calculating the amount of an installment payment, the Valuation Date shall be the anniversary of the Valuation Date on which such installment payments commenced.

ARTICLE III

Eligibility and Participation

- 3.1 Eligibility and Participation. Each Eligible Employee shall be eligible to participate in this Plan.

- 3.2 Duration. Once an Employee becomes a Participant, such Employee shall continue to be a Participant so long as he or she is entitled to receive benefits hereunder, notwithstanding any subsequent Separation from Service. A Participant who is no longer an Eligible Employee but continues to be employed by the Company or a Participating Employer may exercise all of the rights of a Participant under the Plan with respect to his or her Account. On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account is greater than zero. An individual shall cease participation in the Plan when all benefits under the Plan to which he or she is entitled have been paid.
- 3.3 Revocation of Future Participation. Notwithstanding any provision of the Plan to the contrary, the Committee may revoke a Participant's eligibility to receive future Company Contributions under this Plan. Such revocation will not affect in any manner a Participant's Account or other terms of this Plan.
- 3.4 Notification. Each newly Eligible Employee shall be notified by the Plan Administrator, in writing, of his or her eligibility to participate in this Plan.

ARTICLE IV

Company Contributions and Vesting; Investment Earnings

4.1 Company Contributions and Vesting.

- (a) Company Contributions. For each Plan Year, the Company will credit the Account of a Participant with a Company Contribution equal to the difference between (a) the amount of the employer non-elective contribution the Participant would have received under the Employee Savings Plan for such year but for the compensation limit imposed under Code Section 401(a)(17) and (b) the amount of the employer non-elective contribution the Participant actually receives under the Employee Savings Plan for such year. The credit will be effective as of the date employer non-elective contributions are made to the Employee Savings Plan with respect to such Plan Year, unless the Committee specifies a different crediting date.
- (b) Vesting. Company Contributions and the Investment Earnings thereon shall vest in accordance with the vesting schedule that applies to employer non-elective contributions under the Employee Savings Plan, unless a separate vesting schedule is determined by the Committee; provided that all Company Contributions shall become 100% vested upon the occurrence of the earliest of: (a) attainment of age 65; (b) death of the Participant; (c) Disability of the Participant; or (d) Change in Control.

4.2 Investment Earnings.

- (a) Interest Rate. A Participant's Account shall be credited with Investment Earnings based on an interest rate determined by the Committee for the Plan Year for

which it is to be used that is equal to the sum of (a) the Moody's Corporate Bond Yield Average, which shall be equal to the average of the Moody's Corporate AAA, AA, A and BAA Bond Yield Averages published as of December 31 immediately preceding the Plan Year for which the rate is to be used, and (b) an interest rate, if any, determined by the Committee in its sole discretion, which interest rate may be zero for any Plan Year.

- (b) No Obligation to Invest. The Company shall have the sole and exclusive authority to invest (or not invest) any or all amounts credited to a Participant's Account under the Plan. The rate specified in (a) above shall be used solely for purposes of determining the value of a Participant's Account and the amount of the corresponding liability of the Company in accordance with this Plan.

ARTICLE V

Distributions

- 5.1 Termination Benefit Distribution. When the Participant experiences a Separation from Service other than an involuntary termination for Misconduct, a Termination Benefit will be paid to such Participant in five annual installments. The first such installment will be paid by the Company or Participating Employer as soon as administratively practicable following the Valuation Date. Such payments shall continue annually on or about the anniversary of the previous installment payment until five installment payments have been paid. The installment payment amount shall be determined annually as the result of a calculation, performed on the annual Valuation Date, where (i) is divided by (ii) and
- (i) equals the value of the applicable Account on the annual Valuation Date; and
 - (ii) equals the remaining number of installment payments.
- 5.2 Small Account Balance Lump Sum Payment. Notwithstanding any provision of the Plan to the contrary, in the event that a Participant's Account Balance on the Termination Benefit Valuation Date is less than \$25,000, the Termination Benefit shall be paid in a single lump sum as soon as practicable following the Valuation Date.
- 5.3 Disability Benefit. In the event a Participant suffers a Disability, a Disability Benefit in the amount of the Participant's Account Balance shall be paid in a single lump sum as soon as administratively practicable following the Valuation Date.
- 5.4 Death Benefit. In the event of a Participant's death either before Separation from Service or before complete distribution the Participant's Termination Benefit, such Participant's Beneficiary, named on the most recently filed Beneficiary Designation Form, shall be paid a Death Benefit in the amount of the Participant's remaining Account Balance in a single lump sum as soon as practicable following the Valuation Date.
- 5.5 Domestic Relations Order. Notwithstanding any provision of this Plan to the contrary, the Plan Administrator shall divide a Participant's Account with and distribute a portion of such Participant's Account to one or more "alternate payees" at the time and in the manner specified in a domestic relations order determined by the Plan Administrator to be "qualified" within the meaning of Code Section 414(p)(1)(B).

- 5.6 Change in Control. In the event a Participant shall have a Separation from Service within two (2) years following a Change in Control, such Participant shall receive his or her Account Balance in a single lump sum paid as soon as administratively practicable following the Valuation Date. This Section 5.8 shall only be effective to the extent permissible under the Act and applicable Internal Revenue Service guidance.
- 5.7 Deferred Commencement. Notwithstanding any provision to the contrary in this Article V or any other article of this Plan, no distribution in connection with the Separation from Service by a Participant who is at that time deemed to be a "key employee" within the meaning of that term under Code Section 416(i) shall be made or otherwise commence prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of such Separation from Service or (ii) the date of the Participant's death.
- 5.8 Forfeiture. The Account Balance of a Participant whose employment with the Company or a Participating Employer is involuntarily terminated for Misconduct, as determined in the sole discretion of the Committee, shall be forfeited as of the date of such termination.

ARTICLE VI

Administration

- 6.1 Plan Administration. This Plan shall be administered by the Plan Administrator, which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Plan Administrator and resolved in accordance with the claims procedures in Article IX.
- 6.2 Withholding. The Employer shall have the right to withhold from any payment made under the Plan any taxes required by law to be withheld in respect of such payment.
- 6.3 Indemnification. The Company shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which is delegated duties, responsibilities, and authority with respect to administration of the Plan, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or it (including but not limited to reasonable attorney fees) which arise as a result of his or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Company. Notwithstanding the foregoing, the Company shall not indemnify any person or organization if his or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Company consents in writing to such settlement or compromise.

- 6.4 Expenses. The expenses of administering the Plan shall be paid by the Company.
- 6.5 Delegation of Authority. In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be legal counsel to the Company.
- 6.6 Binding Decisions or Actions. The decision or action of the Plan Administrator in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE VII

Amendment and Termination

- 7.1 Amendment and Termination. The Committee may, with the approval of the board of directors of the Company, at any time modify, amend, or terminate the Plan, provided that such modification, amendment or termination shall not cancel, reduce, or otherwise adversely affect the amount of benefits of any Participant accrued (and any form of payment elected) as of the date of any such modification, amendment, or termination, without the consent of the Participant. Upon Plan termination the balance credited to each Participant's Account shall become due and payable in accordance with the vesting and distribution provisions of the Plan in effect immediately prior to such termination.
- 7.2 Adverse Income Tax Determination. Notwithstanding anything to the contrary in the Plan, if any Participant receives a deficiency notice from the United States Internal Revenue Service asserting constructive receipt of amounts payable under the Plan, or if legislation is passed which would cause current income taxation of deferred amounts, Company contributions, and/or the investment earnings attributed thereto in the event the Plan contains unauthorized acceleration of benefits or any other Plan provision, the Committee, in its sole discretion, may terminate the Plan or such Participant's participation in the Plan, and/or may declare null and void any Plan provision with respect to all or those affected Participants, and/or may make distributions(s) to Participants in such amounts as are determined by the Plan Administrator to be equal to amounts found to be taxable to the Participant. In addition, it is intended that this Plan comply with all provisions of the Code and regulations and rulings in effect from time to time regarding the permissible deferral of compensation and taxes thereon, and it is understood that this Plan does so comply. If the laws of the United States or of any relevant state are amended or construed in such a way as to make this Plan (or its intended deferral of compensation and taxes) in whole or in part void, then the Committee, in its sole discretion, may choose to terminate the Plan or it may (to the extent it deems practicable) give effect to the Plan in such a manner as it deems will best carry out the purposes and intentions of this Plan.

ARTICLE VIII

Unfunded Status

- 8.1 General Assets. All benefits in respect of a Participant under this Plan shall be paid directly from the general funds of the Employer, or a Rabbi Trust created by the Company and funded by the Employers for the purpose of informally funding the Plan, and other than such Rabbi Trust, if created, no special or separate fund shall be established and no other segregation of assets shall be made to assure payment. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in or to any investments which an Employer may make to aid the Employer in meeting its obligation hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Employer or any of its subsidiaries or affiliated companies and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments from the Employer hereunder, such rights are no greater than the right of an unsecured general creditor of the Employer.
- 8.2 Rabbi Trust. The Company may, at its sole discretion, establish a grantor trust, commonly known as a Rabbi Trust, as a vehicle for accumulating the assets needed to pay the promised benefit, but the Company shall be under no obligation to establish any such trust or any other informal funding vehicle.

ARTICLE IX

Claims

- 9.1 Filing a Claim. Any controversy or claim arising out of or relating to the Plan shall be filed with the Plan Administrator which shall make all determinations concerning such claim. Any decision by the Plan Administrator denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim ("Claimant"). Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Plan document shall be cited and, where appropriate, an explanation as to how the Claimant can perfect the claim will be provided, including a description of any additional material or information necessary to complete the claim, and an explanation of why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review. This notice of denial of benefits will be provided within 90 days of the Plan Administrator's receipt of the Claimant's claim for benefits. If the Plan Administrator fails to notify the Claimant of its decision regarding the Claimant's claim, the claim shall be considered denied, and the Claimant shall then be permitted to proceed with an appeal as provided in this Article. If the Plan Administrator determines that it needs additional time to review the claim, the Plan Administrator will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Plan Administrator expects to make a decision.

9.2 Appeal. A Claimant who has been completely or partially denied a benefit shall be entitled to appeal this denial of his claim by filing a written appeal with the Committee no later than sixty (60) days after: (a) receipt of the written notification of such claim denial, or (b) the lapse of ninety (90) days without an announced decision notice of extension. A Claimant who timely requests a review of his or her denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Committee. The Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal. Following its review of any additional information submitted by the Claimant, the Committee shall render a decision on its review of the denied claim in the following manner:

- (a) The Committee shall make its decision regarding the merits of the denied claim within 60 days following His receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). It shall deliver the decision to the Claimant in writing. If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render the determination on review.
- (b) The review will take into account comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.
- (c) The decision on review shall set forth a specific reason for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.
- (d) The decision on review will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant to the Claimant's claim for benefits.
- (e) The decision on review will include a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.
- (f) A Claimant may not bring any legal action relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

ARTICLE X

General Conditions

- 10.1 Anti-assignment Rule. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary.
- 10.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Company or any of its subsidiaries or affiliated companies. The right and power of the Company (or any of its subsidiaries or affiliated companies that is the Employee's employer) to dismiss or discharge an Employee is expressly reserved.
- 10.3 No Employment Contract. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and the Company or any of its subsidiaries or affiliated companies.
- 10.4 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.
- 10.5 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Plan Administrator may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.
- 10.6 Governing Law. To the extent not preempted by ERISA, the laws of the Commonwealth of Pennsylvania shall govern the construction and administration of the Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be adopted, effective as of the Effective Date.

KOPPERS HOLDINGS INC.

By: _____

Its: _____

ATTEST: _____

PARTICIPATING EMPLOYERS

Koppers Inc.

CERTIFICATIONS

I, Walter W. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koppers Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-5(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

/s/ WALTER W. TURNER

Walter W. Turner
President and Chief Executive Officer

CERTIFICATIONS

I, Brian H. McCurrie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koppers Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-5(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

/s/ BRIAN H. MCCURRIE

Brian H. McCurrie
Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Koppers Holdings Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WALTER W. TURNER

Walter W. Turner
Chief Executive Officer
August 9, 2007

/s/ BRIAN H. MCCURRIE

Brian H. McCurrie
Chief Financial Officer
August 9, 2007