

FORM 10-Q

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

For the quarterly period ended March 31, 2017
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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

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

Common Stock, par value \$0.01 per share, outstanding at April 28, 2017 amounted to 20,806,367 shares.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	<i>Three Months Ended March 31,</i>	
	2017	2016
<i>(Dollars in millions, except per share amounts)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net sales	\$ 346.6	\$ 346.8
Cost of sales (excluding items below)	275.3	288.5
Depreciation and amortization	11.2	15.1
Impairment and restructuring charges	1.5	5.1
Selling, general and administrative expenses	31.0	30.3
Operating profit	27.6	7.8
Other income	2.0	1.6
Interest expense	10.6	12.3
Loss on extinguishment of debt	13.3	0.0
Income (loss) before income taxes	5.7	(2.9)
Income tax provision (benefit)	1.0	(0.5)
Income (loss) from continuing operations	4.7	(2.4)
(Loss) income from discontinued operations, net of tax expense of \$0.0 and \$0.2	(0.1)	0.6
Net income (loss)	4.6	(1.8)
Net income (loss) attributable to noncontrolling interests	0.2	(0.5)
Net income (loss) attributable to Koppers	\$ 4.4	\$ (1.3)
Earnings (loss) per common share attributable to Koppers common shareholders:		
Basic -		
Continuing operations	\$ 0.21	\$ (0.09)
Discontinued operations	0.00	0.03
Earnings (loss) per basic common share	\$ 0.21	\$ (0.06)
Diluted -		
Continuing operations	\$ 0.20	\$ (0.09)
Discontinued operations	0.00	0.03
Earnings (loss) per diluted common share	\$ 0.20	\$ (0.06)
Comprehensive income	\$ 12.3	\$ 7.2
Comprehensive income (loss) attributable to noncontrolling interests	0.2	(0.5)
Comprehensive income attributable to Koppers	\$ 12.1	\$ 7.7
Weighted average shares outstanding (in thousands):		
Basic	20,722	20,582
Diluted	21,746	20,582

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2017	December 31, 2016
<i>(Dollars in millions, except per share amounts)</i>		
<i>(Unaudited)</i>		
Assets		
Cash and cash equivalents	\$ 23.4	\$ 20.8
Accounts receivable, net of allowance of \$3.8	166.5	136.8
Income tax receivable	6.4	3.8
Inventories, net	240.2	228.7
Loan to related party	0.0	8.9
Other current assets	40.3	39.1
Total current assets	476.8	438.1
Property, plant and equipment, net	289.6	280.8
Goodwill	187.2	186.4
Intangible assets, net	139.0	141.9
Deferred tax assets	26.3	27.1
Other assets	14.2	13.2
Total assets	\$ 1,133.1	\$ 1,087.5
Liabilities		
Accounts payable	\$ 137.2	\$ 144.2
Accrued liabilities	101.1	106.3
Current maturities of long-term debt	11.9	42.6
Total current liabilities	250.2	293.1
Long-term debt	696.1	619.8
Accrued postretirement benefits	51.0	51.6
Deferred tax liabilities	6.4	6.3
Other long-term liabilities	79.8	82.1
Total liabilities	1,083.5	1,052.9
Commitments and contingent liabilities (Note 18)		
Equity		
Senior Convertible Preferred Stock, \$0.01 par value per share; 10,000,000 shares authorized; no shares issued	0.0	0.0
Common Stock, \$0.01 par value per share; 80,000,000 shares authorized; 22,308,205 and 22,140,680 shares issued	0.2	0.2
Additional paid-in capital	180.7	176.5
Accumulated deficit	(20.5)	(24.7)
Accumulated other comprehensive loss	(60.9)	(68.6)
Treasury stock, at cost, 1,505,377 and 1,475,792 shares	(54.3)	(53.0)
Total Koppers shareholders' equity	45.2	30.4
Noncontrolling interests	4.4	4.2
Total equity	49.6	34.6
Total liabilities and equity	\$ 1,133.1	\$ 1,087.5

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended March 31,	
	2017	2016
<i>(Dollars in millions)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash (used in) provided by operating activities:		
Net income (loss)	\$ 4.6	\$ (1.8)
Adjustments to reconcile net cash provided by (used in) operating activities:		
Depreciation and amortization	11.2	15.1
Loss on extinguishment of debt	13.3	0.0
Gain on disposal of investment	(1.3)	0.0
Deferred income taxes	0.1	0.1
Equity loss, net of dividends received	0.0	0.5
Change in other liabilities	(2.3)	(2.7)
Non-cash interest expense	0.5	0.9
Stock-based compensation	2.3	1.1
Other - net	(1.2)	2.0
Changes in working capital:		
Accounts receivable	(27.8)	(10.3)
Inventories	(8.5)	(5.2)
Accounts payable	(7.8)	7.0
Accrued liabilities	(9.8)	(5.6)
Other working capital	2.6	1.4
Net cash (used in) provided by operating activities	(24.1)	2.5
Cash (used in) provided by investing activities:		
Capital expenditures	(14.9)	(8.6)
Repayments of loan	9.5	0.0
Net cash provided by divestitures and asset sales	0.5	0.3
Net cash used in investing activities	(4.9)	(8.3)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	369.5	113.2
Repayments of revolving credit	(288.8)	(103.1)
Borrowings of long-term debt	500.0	0.0
Repayments of long-term debt	(538.5)	(7.5)
Issuances of Common Stock	1.6	0.0
Repurchases of Common Stock	(1.3)	(0.3)
Payment of debt issuance costs	(11.0)	0.0
Net cash provided by financing activities	31.5	2.3
Effect of exchange rate changes on cash	0.1	(2.7)
Net increase (decrease) in cash and cash equivalents	2.6	(6.2)
Cash and cash equivalents at beginning of period	20.8	21.8
Cash and cash equivalents at end of period	\$ 23.4	\$ 15.6

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

1. Basis of Presentation

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

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

2. New Accounting Pronouncements

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to the issuance of ASU 2014-09, the FASB issued multiple ASUs which either amended or clarified ASU 2014-09. Collectively, the revenue recognition ASUs are effective for annual reporting periods beginning after December 15, 2017 and allows for the use of either the retrospective or cumulative effect transition method. The Company has not yet determined which transition method will be used. The Company has a project team analyzing significant contracts with customers to determine the impact of the adoption of the ASUs on the Company's financial statements and disclosures. The Company will continue to assess the impact the ASU updates will have on its revenue arrangements with a final evaluation of the impact of adopting these ASU updates expected to be completed during the third quarter of 2017.

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

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

3. Plant Closures and Divestitures

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

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

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

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

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

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

	<i>Severance and employee benefits</i>	<i>Environmental remediation</i>	<i>Site demolition</i>	<i>Other</i>	<i>Total</i>
<i>(Dollars in millions)</i>					
Reserve at December 31, 2015	\$ 2.0	\$ 4.3	\$ 21.9	\$ 0.0	\$ 28.2
Accrual	2.4	0.1	5.6	5.6	13.7
Cost charged against assets	0.0	0.0	0.0	(1.9)	(1.9)
Reversal of accrued charges	(1.9)	(0.5)	(8.7)	(0.1)	(11.2)
Cash paid	(1.0)	(2.4)	(8.1)	(0.2)	(11.7)
Currency translation	(0.1)	0.0	(0.7)	(0.2)	(1.0)
Reserve at December 31, 2016	\$ 1.4	\$ 1.5	\$ 10.0	\$ 3.2	\$ 16.1
Accrual	0.1	0.0	0.0	1.4	1.5
Reversal of accrued charges	(0.1)	0.0	(0.3)	0.0	(0.4)
Cash paid	(0.1)	(0.5)	(2.8)	(1.4)	(4.8)
Currency translation	0.0	0.1	0.0	0.0	0.1
Reserve at March 31, 2017	\$ 1.3	\$ 1.1	\$ 6.9	\$ 3.2	\$ 12.5

4. Related Party Transactions

As of December 31, 2016 the Company had loaned \$10.0 million, gross of accumulated equity losses of \$1.1 million, to Tangshan Koppers Kailuan Carbon Chemical Company Limited including interest ("TKK"). The Company had a 30-percent interest in TKK until its sale to TKK's controlling shareholder in November 2016. As of March 31, 2017, the loan and interest has been fully repaid, and the Company recorded a gain of \$1.3 million.

5. Fair Value Measurements

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

	March 31, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<i>(Dollars in millions)</i>				
Financial assets:				
Cash and cash equivalents, including restricted cash	\$ 23.4	\$ 23.4	\$ 20.8	\$ 20.8
Investments and other assets ^(a)	1.1	1.1	1.1	1.1
Financial liabilities:				
Long-term debt (including current portion)	\$ 724.2	\$ 708.0	\$ 669.6	\$ 662.4

^(a) Excludes equity method investments.

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

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

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

6. Comprehensive Income (Loss) and Equity (Deficit)

Total comprehensive income (loss) for the three months ended March 31, 2017 and 2016 is summarized in the table below:

	Three Months Ended March 31,	
	2017	2016
<i>(Dollars in millions)</i>		
Net income (loss)	\$ 4.6	\$ (1.8)
Other comprehensive income:		
Change in currency translation adjustment	6.1	6.2
Change in unrealized gains on cash flow hedges, net of tax expense of \$0.9 and \$1.6	1.3	2.5
Change in unrecognized pension net loss, net of tax expense of \$0.2 and \$0.1	0.3	0.3
Total comprehensive income	12.3	7.2
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.2	(0.5)
Comprehensive income attributable to Koppers	\$ 12.1	\$ 7.7

Amounts reclassified from accumulated other comprehensive loss to net income consist of amounts shown for changes in unrecognized pension net loss and unrecognized prior service cost. These components of accumulated other comprehensive income are included in the computation of net periodic pension cost as disclosed in Note 13 – Pensions and Postretirement Benefit Plans. Other amounts reclassified from accumulated other comprehensive income include income related to derivative financial instruments, net of tax, of \$1.3 million for the three months ended March 31, 2017, and \$1.5 million for the three months ended March 31, 2016.

The following tables present the change in equity (deficit) for the three months ended March 31, 2017 and 2016, respectively:

<i>(Dollars in millions)</i>	<i>Total Koppers Shareholders' Equity</i>	<i>Noncontrolling Interests</i>	<i>Total Equity</i>
Balance at December 31, 2016	\$ 30.4	\$ 4.2	\$ 34.6
Net income	4.4	0.2	4.6
Issuance of common stock	1.6	0.0	1.6
Employee stock plans	2.4	0.0	2.4
Other comprehensive income	7.7	0.0	7.7
Repurchases of common stock	(1.3)	0.0	(1.3)
Balance at March 31, 2017	\$ 45.2	\$ 4.4	\$ 49.6

<i>(Dollars in millions)</i>	<i>Total Koppers Shareholders' Equity (Deficit)</i>	<i>Noncontrolling Interests</i>	<i>Total Equity (Deficit)</i>
Balance at December 31, 2015	\$ (18.5)	\$ 6.1	\$ (12.4)
Net loss	(1.3)	(0.5)	(1.8)
Employee stock plans	1.1	0.0	1.1
Other comprehensive income	9.0	0.0	9.0
Repurchases of common stock	(0.3)	0.0	(0.3)
Balance at March 31, 2016	\$ (10.0)	\$ 5.6	\$ (4.4)

7. Earnings per Common Share

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

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

<i>(Dollars in millions, except share amounts, in thousands, and per share amounts)</i>	<i>Three Months Ended March 31,</i>	
	<i>2017</i>	<i>2016</i>
Net income (loss) attributable to Koppers	\$ 4.4	\$ (1.3)
Less: (Loss) income from discontinued operations	(0.1)	0.6
Income (loss) from continuing operations attributable to Koppers	\$ 4.5	\$ (1.9)
Weighted average common shares outstanding:		
Basic	20,722	20,582
Effect of dilutive securities	1,024	0
Diluted	21,746	20,582
Income per common share – continuing operations:		
Basic income per common share	\$ 0.21	\$ (0.09)
Diluted income per common share	0.20	(0.09)
Other data:		
Antidilutive securities excluded from computation of diluted earnings per common share	128	891

8. Stock-based Compensation

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

Restricted Stock Units and Performance Stock Units

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

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

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

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

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

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

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

The following table shows a summary of the performance stock units as of March 31, 2017:

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

The following table shows a summary of the status and activity of non-vested stock awards for the three months ended March 31, 2017:

	<i>Restricted Stock Units</i>	<i>Performance Stock Units</i>	<i>Total Stock Units</i>	<i>Weighted Average Grant Date Fair Value per Unit</i>
Non-vested at December 31, 2016	279,807	554,388	834,195	\$ 23.09
Granted	64,585	117,010	181,595	\$ 56.93
Vested	(101,179)	0	(101,179)	\$ 24.79
Forfeited	(138)	(89,847)	(89,985)	\$ 37.80
Non-vested at March 31, 2017	243,075	581,551	824,626	\$ 28.73

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

Stock Options

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

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

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

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

The following table shows a summary of the status and activity of stock options for the three months ended March 31, 2017:

	<i>Options</i>	<i>Weighted Average Exercise Price per Option</i>	<i>Weighted Average Remaining Contractual Term (in years)</i>	<i>Aggregate Intrinsic Value (in millions)</i>
Outstanding at December 31, 2016	935,454	\$ 26.09		
Granted	97,403	\$ 44.10		
Exercised	(52,996)	\$ 29.87		
Outstanding at March 31, 2017	979,861	\$ 27.68	6.83	\$ 12.9
Exercisable at March 31, 2017	568,086	\$ 30.31	3.14	\$ 5.9

Stock Compensation Expense

Total stock-based compensation expense recognized for three months ended March 31, 2017 and 2016 is as follows:

	Three Months Ended March 31,	
	2017	2016
<i>(Dollars in millions)</i>		
Stock-based compensation expense recognized:		
Selling, general and administrative expenses	\$ 2.3	\$ 1.1
Less related income tax benefit	0.9	0.4
	\$ 1.4	\$ 0.7

As of March 31, 2017, total future gross compensation expense related to non-vested stock-based compensation arrangements, which are expected to vest, totaled \$22.4 million and the weighted-average period over which this cost is expected to be recognized is approximately 31 months.

9. Segment Information

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

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

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

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

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

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

	<i>Three Months Ended March 31,</i>	
	<i>2017</i>	<i>2016</i>
<i>(Dollars in millions)</i>		
Revenues from external customers:		
Railroad and Utility Products and Services	\$ 135.5	\$ 151.4
Performance Chemicals	96.7	88.0
Carbon Materials and Chemicals	114.4	107.4
Total	\$ 346.6	\$ 346.8
Intersegment revenues:		
Performance Chemicals	\$ 1.7	\$ 2.0
Carbon Materials and Chemicals	18.9	20.9
Total	\$ 20.6	\$ 22.9
Depreciation and amortization expense:		
Railroad and Utility Products and Services	\$ 3.0	\$ 3.2
Performance Chemicals	4.4	4.8
Carbon Materials and Chemicals	3.8	7.1
Total	\$ 11.2	\$ 15.1
Operating profit (loss):		
Railroad and Utility Products and Services	\$ 9.0	\$ 13.5
Performance Chemicals	18.6	12.6
Carbon Materials and Chemicals	0.4	(17.6)
Corporate ^(a)	(0.4)	(0.7)
Total	\$ 27.6	\$ 7.8

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

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

	<i>March 31,</i>	<i>December 31,</i>
	<i>2017</i>	<i>2016</i>
<i>(Dollars in millions)</i>		
Segment assets:		
Railroad and Utility Products and Services	\$ 269.8	\$ 264.2
Performance Chemicals	475.7	442.9
Carbon Materials and Chemicals	338.4	333.0
All other	49.2	47.4
Total	\$ 1,133.1	\$ 1,087.5
Goodwill:		
Railroad and Utility Products and Services	\$ 10.3	\$ 9.9
Performance Chemicals	176.9	176.5
Total	\$ 187.2	\$ 186.4

10. Income Taxes

Effective Tax Rate

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

The estimated annual effective income tax rate, excluding discrete items discussed above, was 27.0 percent and 35.4 percent for the three months ended March 31, 2017 and 2016, respectively. The estimated annual effective income tax rate differs from the U.S. federal statutory tax rate due to:

	March 31, 2017	March 31, 2016
Federal income tax rate	35.0%	35.0%
State income taxes, net of federal tax benefit	1.7	2.0
Foreign earnings taxed at different rates	(11.3)	(3.3)
Change in tax contingency reserves	0.2	1.2
Nondeductible expenses	0.8	0.9
Tax credits	(0.3)	(0.4)
Other	0.9	0.0
Estimated annual effective income tax rate	27.0%	35.4%

Income taxes as a percentage of pretax income were 17.5 percent for the three months ended March 31, 2017. This is lower than the estimated annual effective tax rate principally due to discrete items, but also because the estimated annual effective income tax rate is applied to pre-tax earnings excluding the results of our Chinese entities that are not expected to generate a future tax benefit for the year. Discrete items included in income taxes for the three months ended March 31, 2017 were a net benefit of \$0.4 million, which includes excess tax benefits for stock-based compensation of \$0.8 million offset by additional accruals for uncertain tax positions of \$0.4 million.

Income taxes as a percentage of pretax income were 17.2 percent for the three months ended March 31, 2016. This is lower than the estimated annual effective tax rate as the estimated annual effective income tax rate is applied to pre-tax earnings excluding the losses of our Chinese entities that are not expected to generate a future tax benefit. Discrete items included in income taxes for the three months ended March 31, 2017 were not material.

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

Uncertain Tax Positions

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

Unrecognized tax benefits totaled \$10.1 million and \$9.7 million as of March 31, 2017 and December 31, 2016, respectively. As of March 31, 2017 and December 31, 2016, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately \$6.1 million and \$5.7 million, respectively. The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of March 31, 2017 and December 31, 2016, the Company had accrued approximately \$4.4 million and \$4.2 million for interest and penalties, respectively.

The Company believes that the amount of unrecognized tax benefits will decrease in the next twelve months by approximately \$3 million principally due to an expected audit settlement related to a transfer pricing matter. The Company does not anticipate significant increases to the amount of unrecognized tax benefits within the next twelve months.

11. Inventories

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

	March 31, 2017		December 31, 2016	
<i>(Dollars in millions)</i>				
Raw materials	\$	166.6	\$	157.7
Work in process		12.0		14.2
Finished goods		107.9		103.6
	\$	286.5	\$	275.5
Less revaluation to LIFO		46.3		46.8
Net	\$	240.2	\$	228.7

12. Property, Plant and Equipment

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

	March 31, 2017		December 31, 2016	
<i>(Dollars in millions)</i>				
Land	\$	17.2	\$	17.0
Buildings		59.0		58.2
Machinery and equipment		734.9		716.0
	\$	811.1	\$	791.2
Less accumulated depreciation		521.5		510.4
Net	\$	289.6	\$	280.8

Impairments – There were no impairment charges incurred for the three months ended March 31, 2017 and 2016.

13. Pensions and Postretirement Benefit Plans

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

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

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

The following table provides the components of net periodic benefit cost for the pension plans and other benefit plans for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,			
	2017		2016	
<i>(Dollars in millions)</i>				
Service cost	\$	0.5	\$	0.5
Interest cost		2.4		2.8
Expected return on plan assets		(2.5)		(2.7)
Amortization of net loss		0.5		0.6
Net periodic benefit cost	\$	0.9	\$	1.2
Defined contribution plan expense	\$	2.2	\$	2.1

14. Debt

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

	Weighted Average Interest Rate	Maturity	March 31, 2017	December 31, 2016
<i>(Dollars in millions)</i>				
Term Loan			\$ 0.0	\$ 232.5
Revolving Credit Facility	3.45%	2022	181.2	100.1
Construction and other loans	4.74%	2020	40.0	40.4
Senior Notes due 2025	6.00%	2025	500.0	0.0
Senior Notes due 2019			0.0	298.1
Debt			721.2	671.1
Less short term debt and current maturities of long-term debt			11.9	42.6
Less unamortized debt issuance costs			13.2	8.7
Long-term debt			\$ 696.1	\$ 619.8

Senior Notes due 2025

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

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

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

Revolving Credit Facility

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

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

As of March 31, 2017, the Company had \$178.6 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments and other covenants. As of March 31, 2017, \$44.1 million of commitments were utilized by outstanding letters of credit.

Loss on Extinguishment of Debt

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

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

Construction Loans

The Company's 75-percent owned subsidiary, Koppers (Jiangsu) Carbon Chemical Company Limited ("KJCC") entered into two committed loan facility agreements for a combined commitment of RMB 265 million or approximately \$44 million. The third party bank provided facility has a commitment amount of RMB 198.8 million and the other committed facility of

RMB 66.2 million is provided by the 25-percent non-controlling shareholder in KJCC. Borrowings under the third party bank facility are secured by a letter of credit issued by a bank under the Koppers Inc. Revolving Credit Facility. KJCC will repay the construction loan portion of the third party commitment in six installments every six months starting in June 2018 with a final repayment on December 21, 2020, the maturity date of the loans.

15. Asset Retirement Obligations

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

	<i>March 31,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
<i>(Dollars in millions)</i>		
Asset retirement obligation at beginning of year	\$ 36.0	\$ 46.5
Divestiture	0.0	(8.0)
Accretion expense	0.6	7.1
Revision in estimated cash flows	0.0	2.7
Cash expenditures	(3.1)	(11.4)
Currency translation	0.1	(0.9)
Balance at end of period	\$ 33.6	\$ 36.0

16. Deferred Revenue

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

	<i>March 31,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
<i>(Dollars in millions)</i>		
Balance at beginning of year	\$ 27.2	\$ 30.1
Revenue earned	(0.2)	(0.8)
Currency translation	0.3	(2.1)
Balance at end of period	\$ 27.3	\$ 27.2

Deferred revenue classified in other long-term liabilities in the consolidated balance sheet totaled \$26.4 million as of March 31, 2017 and \$26.2 million as of December 31, 2016 with the remainder classified in accrued liabilities.

17. Derivative Financial Instruments

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

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

hedge components excluded from the assessment of effectiveness are recognized in current earnings. The amount of hedge ineffectiveness charged to profit and loss is reported in the table below.

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

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

	Units Outstanding (in Pounds)		Net Fair Value - Asset (Liability)	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
<i>(Amounts in millions)</i>				
Cash flow hedges	38.4	42.6	\$ 14.7	\$ 10.6
Not designated as hedges	10.5	6.5	1.7	1.0
Total	48.9	49.1	\$ 16.4	\$ 11.6

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

	March 31, 2017	December 31, 2016
<i>(Dollars in millions)</i>		
Other current assets	\$ 16.6	\$ 12.5
Accrued liabilities	(0.2)	(0.9)
Net asset on balance sheet	\$ 16.4	\$ 11.6
Accumulated other comprehensive gain, net of tax	\$ 8.2	\$ 6.9

Based upon contracts outstanding at March 31, 2017, in the next twelve months the Company estimates that \$5.3 million of unrealized gains, net of tax, related to commodity price hedging will be reclassified from other comprehensive income into earnings.

See Note 6 – Comprehensive Income (Loss) and Equity (Deficit), for amounts recorded in other comprehensive income and for amounts reclassified from accumulated other comprehensive income to net income for the periods specified below. For the three months ended March 31, 2017 and 2016, the following amounts were recognized in earnings related to copper swap contracts:

	Three Months Ended March 31,	
	2017	2016
<i>(Dollars in millions)</i>		
Gain from ineffectiveness of cash flow hedges	\$ 1.9	\$ 1.2
Gain (loss) from contracts not designated as hedges	0.7	(0.2)
Net	\$ 2.6	\$ 1.0

Forward contracts related to foreign currency that are not designated as hedges and fair value changes in these contracts are immediately charged to earnings and are classified in cost of sales in the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). As of March 31, 2017, the Company has outstanding foreign currency forward contracts with a net fair value totaling \$0.1 million, consisting of a gross derivative liability of \$0.4 million (recognized in accrued liabilities in the balance sheet) and a gross derivative asset of \$0.5 million (recognized in other current assets in the balance sheet). As of December 31, 2016, the Company has outstanding currency forward contracts with a net fair value totaling \$1.0 million, consisting of a gross derivative liability of \$0.9 million (recognized in accrued liabilities in the balance sheet) and a gross derivative asset of \$1.9 million (recognized in other current assets in the balance sheet).

As of March 31, 2017 and December 31, 2016, the net currency units outstanding were:

	March 31, 2017	December 31, 2016
<i>(In millions)</i>		
British Pounds	GBP 6.3	GBP 7.3
New Zealand Dollars	NZD 15.5	NZD 15.5
United States Dollars	USD 4.8	USD 24.7
Canadian Dollars	CAD 0.3	CAD 0.3

18. Commitments and Contingent Liabilities

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

Legal Proceedings

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

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

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

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

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

The case is being heard in the United States District Court for the Northern District of Florida. Plaintiffs filed a motion for class certification in September 2015 and the response of Koppers Inc. was filed in October 2015. A hearing on plaintiffs' motions for class certification and the parties' motions relating to experts was held in January 2016. On March 20, 2017, the district court denied the motion for class certification and also granted the motion to strike several of the plaintiffs' expert witnesses. Plaintiffs filed a petition seeking to appeal the order with the Eleventh Circuit Court of Appeals on April 3, 2017.

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

Environmental and Other Litigation Matters

The Company and its subsidiaries are subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. The Company's subsidiaries expect to incur substantial costs for ongoing compliance with such laws and regulations. The Company's subsidiaries may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from,

contamination at sites associated with past and present operations. The Company accrues for environmental liabilities when a determination can be made that a liability is probable and reasonably estimable.

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

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

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

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

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

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

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

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

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

The Company has accrued the estimated costs of participating in the PRP group at the Portland Harbor and Newark Bay CERCLA sites and estimated *de minimis* settlement amounts at the sites totaling \$2.2 million at March 31, 2017. The actual cost could be materially higher as there has not been a determination of how those costs will be allocated among the PRPs at the sites. Accordingly, an unfavorable resolution of these matters may have a material adverse effect on the Company’s business, financial condition, cash flows and results of operations.

In connection with Koppers Inc.’s acquisition of Osmose, Inc., there are two plant sites in the United States where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. As of March 31, 2017, the Company’s estimated environmental remediation liability for these acquired sites totals \$4.9 million.

Foreign Environmental Matters. In connection with Koppers Inc.’s acquisition of Osmose, Inc., there are two plant sites located in the United Kingdom and Australia where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. As of March 31, 2017, the Company’s estimated environmental remediation liability for these acquired sites totals \$3.1 million. Osmose Holdings, Inc. has provided an indemnity of up to \$5.0 million for certain environmental response costs incurred prior to August 15, 2017 (the “Osmose Indemnity”). As of March 31, 2017, total recoveries under the Osmose Indemnity total \$4.6 million.

In December 2011, the Company ceased manufacturing operations at its Continental Carbon facility located in Kurnell, Australia. The Company has accrued its expected cost of site remediation resulting from the closure of \$1.1 million as of March 31, 2017.

Environmental Reserves Rollforward. The following table reflects changes in the accrued liability for environmental matters, of which \$4.3 million and \$5.2 million are classified as current liabilities at March 31, 2017 and December 31, 2016, respectively:

	<i>Period ended</i>	
	<i>March 31,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
<i>(Dollars in millions)</i>		
Balance at beginning of year	\$ 12.9	\$ 19.8
Expense	0.2	1.5
Reversal of reserves	(0.3)	(1.0)
Cash expenditures	(0.9)	(6.3)
Disposal	0.0	(0.3)
Currency translation	0.2	(0.8)
Balance at end of period	\$ 12.1	\$ 12.9

19. Subsidiary Guarantor Information for Koppers Inc. Senior Notes

On January 25, 2017, Koppers Inc. issued \$500.0 million principal value of Senior Notes due 2025 (the "2025 Notes"). Koppers Holdings and each of Koppers Inc.'s 100 percent-owned material domestic subsidiaries other than Koppers Assurance, Inc. fully and unconditionally guarantee the payment of principal and interest on the 2025 Notes. The domestic guarantor subsidiaries include Koppers World-Wide Ventures Corporation, Koppers Delaware, Inc., Koppers Concrete Products, Inc., Concrete Partners, Inc., Koppers Performance Chemicals Inc., Koppers Railroad Structures Inc., Koppers NZ, LLC, Koppers-Nevada Limited Liability Company, Wood Protection LP, Wood Protection Management LLC, Koppers Asia LLC and Koppers Ventures Inc. Non-guarantor subsidiaries are owned directly or indirectly by Koppers Inc. or are owned directly or indirectly by Koppers World-Wide Ventures Corporation.

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

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

Shelf Registration

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

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

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

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

As of March 31, 2017, Koppers Inc.'s assets exceeded its liabilities by \$44.5 million. There are no net assets unavailable for distribution to Koppers Holdings Inc. by Koppers Inc. as of March 31, 2017. Cash dividends paid to Koppers Holdings Inc. by its subsidiaries totaled \$0.3 million and \$0.4 million for the three months ended March 31, 2017 and 2016, respectively.

Condensed Consolidating Statement of Operations
For the Three Months Ended March 31, 2017

	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<i>(Dollars in millions)</i>						
Net sales	\$ 0.0	\$ 150.9	\$ 81.2	\$ 136.4	\$ (21.9)	\$ 346.6
Cost of sales including depreciation and amortization	0.0	148.1	54.0	105.8	(19.9)	288.0
Selling, general and administrative	0.5	10.9	10.2	9.4	0.0	31.0
Operating profit (loss)	(0.5)	(8.1)	17.0	21.2	(2.0)	27.6
Other income (loss)	0.0	0.1	0.6	1.5	(0.2)	2.0
Equity income (loss) of subsidiaries	4.9	26.3	17.4	0.0	(48.6)	0.0
Interest expense	0.0	9.7	0.1	0.9	(0.1)	10.6
Loss on extinguishment of debt	0.0	13.3	0.0	0.0	0.0	13.3
Income taxes	0.0	(9.6)	6.5	4.1	0.0	1.0
Income (loss) from continuing operations	4.4	4.9	28.4	17.7	(50.7)	4.7
Discontinued operations	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Noncontrolling interests	0.0	0.0	0.0	0.2	0.0	0.2
Net income (loss) attributable to Koppers	\$ 4.4	\$ 4.9	\$ 28.4	\$ 17.4	\$ (50.7)	\$ 4.4
Comprehensive income (loss) attributable to Koppers	\$ 12.1	\$ 12.6	\$ 35.9	\$ 23.5	\$ (72.0)	\$ 12.1

Condensed Consolidating Statement of Operations
For the Three Months Ended March 31, 2016

	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<i>(Dollars in millions)</i>						
Net sales	\$ 0.0	\$ 167.9	\$ 80.0	\$ 120.4	\$ (21.5)	\$ 346.8
Cost of sales including depreciation and amortization	0.0	168.0	58.3	105.2	(22.8)	308.7
Selling, general and administrative	0.5	10.0	10.0	9.8	0.0	30.3
Operating profit (loss)	(0.5)	(10.1)	11.7	5.4	1.3	7.8
Other income (loss)	0.0	0.1	2.0	0.0	(0.5)	1.6
Equity income (loss) of subsidiaries	(0.8)	17.2	2.1	0.0	(18.5)	0.0
Interest expense	0.0	11.4	0.0	1.4	(0.5)	12.3
Income taxes	0.0	(3.4)	0.1	2.8	0.0	(0.5)
Income (loss) from continuing operations	(1.3)	(0.8)	15.7	1.2	(17.2)	(2.4)
Discontinued operations	0.0	0.0	0.0	0.6	0.0	0.6
Noncontrolling interests	0.0	0.0	0.0	(0.5)	0.0	(0.5)
Net income (loss) attributable to Koppers	\$ (1.3)	\$ (0.8)	\$ 15.7	\$ 2.3	\$ (17.2)	\$ (1.3)
Comprehensive income (loss) attributable to Koppers	\$ 7.7	\$ 8.2	\$ 24.5	\$ 8.6	\$ (41.3)	\$ 7.7

Condensed Consolidating Balance Sheet
March 31, 2017

	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<i>(Dollars in millions)</i>						
ASSETS						
Cash and cash equivalents	\$ 0.0	\$ 0.0	\$ 0.0	\$ 23.4	\$ 0.0	\$ 23.4
Receivables, net	0.0	59.5	31.9	81.5	0.0	172.9
Affiliated receivables	0.7	12.9	5.7	15.9	(35.2)	0.0
Inventories, net	0.0	96.5	36.8	109.7	(2.8)	240.2
Other current assets	0.0	5.3	17.8	16.9	0.3	40.3
Total current assets	0.7	174.2	92.2	247.4	(37.7)	476.8
Equity investments	44.6	731.2	218.9	0.0	(994.7)	0.0
Property, plant and equipment, net	0.0	132.0	41.9	115.7	0.0	289.6
Goodwill	0.0	0.8	153.1	33.3	0.0	187.2
Intangible assets, net	0.0	7.7	104.4	26.9	0.0	139.0
Deferred tax assets	0.0	29.7	(9.4)	6.0	0.0	26.3
Affiliated loan receivables	0.0	36.9	205.3	21.9	(264.1)	0.0
Other assets	0.0	5.2	6.1	3.0	(0.1)	14.2
Total assets	\$ 45.3	\$ 1,117.7	\$ 812.5	\$ 454.2	\$ (1,296.6)	\$ 1,133.1
LIABILITIES AND EQUITY						
Accounts payable	0.1	56.5	38.2	42.4	0.0	137.2
Affiliated payables	0.0	17.7	0.1	19.1	(36.9)	0.0
Accrued liabilities	0.0	47.0	14.2	39.9	0.0	101.1
Current maturities of long-term debt	0.0	0.2	0.0	11.7	0.0	11.9
Total current liabilities	0.1	121.4	52.5	113.1	(36.9)	250.2
Long-term debt	0.0	668.0	0.0	28.1	0.0	696.1
Affiliated debt	0.0	209.9	23.5	30.7	(264.1)	0.0
Other long-term liabilities	0.0	73.9	14.5	48.8	0.0	137.2
Total liabilities	0.1	1,073.2	90.5	220.7	(301.0)	1,083.5
Koppers shareholders' equity	45.2	44.5	722.0	229.1	(995.6)	45.2
Noncontrolling interests	0.0	0.0	0.0	4.4	0.0	4.4
Total liabilities and equity	\$ 45.3	\$ 1,117.7	\$ 812.5	\$ 454.2	\$ (1,296.6)	\$ 1,133.1

Condensed Consolidating Balance Sheet
December 31, 2016

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

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2017

	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<i>(Dollars in millions)</i>						
Cash provided by (used in) operating activities	\$ (0.3)	\$ (26.9)	\$ 7.1	\$ (3.7)	\$ (0.3)	\$ (24.1)
Cash provided by (used in) investing activities:						
Capital expenditures and acquisitions	0.0	(9.7)	(3.7)	(1.5)	0.0	(14.9)
Repayments (loans to) from affiliates	0.0	5.6	3.0	0.4	(9.0)	0.0
Repayment of loan	0.0	0.0	0.0	9.5	0.0	9.5
Net cash (used in) provided by divestitures and asset sales	0.0	0.0	0.2	0.3	0.0	0.5
Net cash provided by (used in) investing activities	0.0	(4.1)	(0.5)	8.7	(9.0)	(4.9)
Cash provided by (used in) financing activities:						
Borrowings (repayments) of long-term debt	0.0	43.2	0.0	(1.0)	0.0	42.2
Borrowings (repayments) of affiliated debt	0.0	(0.9)	(6.6)	(1.5)	9.0	0.0
Debt issuance costs	0.0	(11.0)	0.0	0.0	0.0	(11.0)
Dividends paid	0.0	(0.3)	(0.0)	0.0	0.3	0.0
Stock issued (repurchased)	0.3	0.0	0.0	0.0	0.0	0.3
Net cash provided by (used in) financing activities	0.3	31.0	(6.6)	(2.5)	9.3	31.5
Effect of exchange rates on cash	0.0	0.0	0.0	0.1	0.0	0.1
Net increase (decrease) in cash and cash equivalents	0.0	0.0	0.0	2.6	0.0	2.6
Cash and cash equivalents at beginning of year	0.0	0.0	0.0	20.8	0.0	20.8
Cash and cash equivalents at end of period	\$ 0.0	\$ 0.0	\$ 0.0	\$ 23.4	\$ 0.0	\$ 23.4

Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2016

	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<i>(Dollars in millions)</i>						
Cash provided by (used in) operating activities	\$ 0.3	\$ 7.9	\$ 21.6	\$ (7.8)	\$ (19.5)	\$ 2.5
Cash provided by (used in) investing activities:						
Capital expenditures and acquisitions	0.0	(6.9)	(0.2)	(1.5)	0.0	(8.6)
Repayments (loans to) from affiliates	0.0	(7.2)	1.6	(0.3)	5.9	0.0
Net cash proceeds from divestitures and asset sales	0.0	0.0	0.1	0.2	0.0	0.3
Net cash provided by (used in) investing activities	0.0	(14.1)	1.5	(1.6)	5.9	(8.3)
Cash provided by (used in) financing activities:						
Borrowings (repayments) of long-term debt	0.0	0.1	0.0	2.5	0.0	2.6
Borrowings (repayments) of affiliated debt	0.0	6.5	(4.5)	3.9	(5.9)	0.0
Dividends paid	0.0	(0.4)	(19.1)	0.0	19.5	0.0
Stock repurchased	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Net cash provided by (used in) financing activities	(0.3)	6.2	(23.6)	6.4	13.6	2.3
Effect of exchange rates on cash	0.0	0.0	0.0	(2.7)	0.0	(2.7)
Net increase (decrease) in cash and cash equivalents	0.0	0.0	(0.5)	(5.7)	0.0	(6.2)
Cash and cash equivalents at beginning of year	0.0	0.1	0.7	21.0	0.0	21.8
Cash and cash equivalents at end of period	\$ 0.0	\$ 0.1	\$ 0.2	\$ 15.3	\$ 0.0	\$ 15.6

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

This report and any documents incorporated herein by reference contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and may include, but are not limited to, statements about sales levels, acquisitions, restructuring, declines in the value of Koppers assets and the effect of any related impairment charges, profitability and anticipated expenses and cash outflows. All forward-looking statements involve risks and uncertainties. All statements contained herein that are not clearly historical in nature are forward-looking, and words such as "believe," "anticipate," "expect," "estimate," "may," "will," "should," "continue," "plans," "potential," "intends," "likely," or other similar words or phrases are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or documents filed with the Securities and Exchange Commission, or in Koppers communications with and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding expectations with respect to sales, earnings, cash flows, operating efficiencies, restructurings, product introduction or expansion, the benefits of acquisitions and divestitures, joint ventures or other matters as well as financings and debt reduction, are subject to known and unknown risks, uncertainties and contingencies. Many of these risks, uncertainties and contingencies are beyond our control, and may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward-looking statements, include, among other things, the impact of changes in commodity prices, such as oil and copper, on product margins; general economic and business conditions; potential difficulties in protecting our intellectual property; the ratings on our debt and our ability to repay or refinance our outstanding indebtedness as it matures; our ability to operate within the limits of our debt covenants; potential impairment of our goodwill and/or long-lived assets; demand for Koppers goods and services; competitive conditions; interest rate and foreign currency rate fluctuations; availability and costs of key raw materials and unfavorable resolution of claims against us, as well as those discussed more fully elsewhere in this report and in documents filed with the Securities and Exchange Commission by Koppers, particularly our latest annual report on Form 10-K and subsequent filings. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report and the documents incorporated by reference herein may not in fact occur. Any forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited financial statements and related notes included in Item 1 of this Part I as well as the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Overview

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

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

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

Outlook

Trend Overview

Our businesses and results of operations are affected by various competitive and other factors including (i) the impact of global economic conditions on demand for our products, including the impact of imported products from competitors in certain regions where we operate; (ii) raw materials pricing and availability, in particular the cost and availability of

hardwood lumber for railroad crossties, scrap copper prices, and the cost and amount of coal tar available in global markets, which is negatively affected by reductions in blast furnace steel production; (iii) volatility in oil prices, which impacts the cost of coal tar and certain other raw materials, as well as selling prices and margins for certain of our products including carbon black feedstock, phthalic anhydride, and naphthalene; (iv) competitive conditions in global carbon pitch markets; and (v) changes in foreign exchange rates.

Railroad and Utility Products and Services

The primary end-market for RUPS is the North American railroad industry, which has an installed base of approximately 700 million wood crossties that require periodic replacement. As a result, demand has historically been relatively stable in the range of 22-25 million wood crossties annually. We sell treated and untreated wood products, rail joint bars and services primarily to the railroad markets in the United States and Canada, and utility poles to the utility sector in Australia. We also operate a railroad services business that conducts engineering, design, repair and inspection services primarily for railroad bridges in the U.S. and Canada.

The supply of untreated crossties can vary at times based upon weather conditions in addition to other factors. We have a nationwide wood procurement team that maintains close working relationships with a network of sawmills. The first component of our revenue stream occurs when we procure the untreated crossties, on behalf of our customers, at a nominal markup. This practice provides the railroad customers with an assured level of inventory and minimizes our working capital usage as untreated crossties go through a six- to nine-month air seasoning process before they are ready to be pressure treated. Subsequent to the air seasoning period, the next phase involves the RUPS segment providing value-added services to customers through treating crossties, switch ties and various types of lumber used for railroad bridges and crossings. The processes include creosote-only treatment as well as a combination of creosote and borate treatments. During any given year, there is a seasonal effect in the winter months on our crosstie business depending on weather conditions for harvesting lumber and installation.

Over the past twelve months, rail freight has declined due to lower shipments of coal, oil and gas, durable goods, and related products. As a result of their declining revenue base, the major companies in the rail industry have substantially reduced both operating and capital spending from peak spending levels, which has a negative short-term impact on sales of various products and services that we provide to that industry. We expect that 2017 revenues and profitability will again reflect a decline year-over-year due to the effects of lower demand caused by continued reductions in capital budgets for most North American Class I railroads. The lower demand has caused the market to reduce raw material purchase prices primarily in the Eastern U.S. which, due to certain cost pass-through conditions, will further reduce our revenues in the near term, but have a minimal impact on our profitability. Furthermore, the lower demand has also resulted in price reductions for the products we supply the commercial railroad business as competition has increased to replace the lower Class I demand for crossties. We currently supply all seven of the North American Class I railroads and have long-standing relationships with these customers. Approximately 70 percent of our North American sales are under long-term contracts and we believe that we will continue to grow our market position.

Overall, the long-term prognosis for the railroad industry and the products and services that we provide to it remains favorable. Currently, the railroad industry is managing the cyclical downturn in the oil and gas industry, while looking to replace demand lost to what is likely a long-term reduction in coal production. At the same time, the railroads are building their revenue base of shipments of non-energy related products. The Association of American Railroads ("AAR") reported that the total U.S. carload traffic for the three months ending March 31, 2017, was up 5.7 percent from the prior year period and intermodal units were 1.4 percent higher than last year. Together, the total combined U.S. traffic for first quarter 2017 increased 3.5 percent compared to last year and is expected to post mid-single digit year-over-year growth. According to the AAR, the overall levels of railroad investment are forecasted to be \$22 billion, a decline from \$25 billion in 2016 and \$29 billion in 2015. While a reduction in coal transport will likely persist, the continued trend of intermodal freight demand has driven maintenance and upgrades along key transportation corridors. From a long-term perspective, there remains a long-term need for sustained investment in infrastructure and capacity expansion. We believe that with our vertical integration capabilities in wood treatment, we will benefit from increased infrastructure and capacity expansion when it occurs.

Performance Chemicals

The largest geographic market for wood treating chemicals sold by our PC business is in North America, and the largest application for our products is the residential remodeling market. We also have a market presence in Europe, South America, Australia and New Zealand. Product demand for our PC business has historically been influenced by existing home sales, which is a leading indicator of consumer spending on remodeling projects. The National Association of Realtors estimates that existing home sales will increase two percent in 2017 which we expect will favorably impact repair and remodeling activity. According to the Leading Indicator of Remodeling Activity ("LIRA"), strong gains in home renovation and repair are expected to continue into mid-2017 before moderating somewhat later in the year.

We believe that PC is the largest global manufacturer and supplier of water-based wood preservatives and wood specialty additives to treaters who supply pressure treated wood products to large retailers and independent lumber dealers. These retailers and dealers, in turn, serve the residential, agricultural and industrial pressure-treated wood market. Our primary products are copper-based wood preservatives, including micronized copper azole ("MicroPro®") and micronized pigments ("MicroShades®"). Applications for these products include decking, fencing, utility poles, construction lumber and other outdoor structures. We continue to invest in research and development activities at various locations around the world, particularly in areas that have high fungal decay and termite activity, in order to assess the performance and efficacy of various wood preservation systems.

As most of the products sold by PC are copper-based products, changes in the price and availability of copper can have a significant impact on product pricing and margins. We attempt to moderate the variability in copper pricing through entering into hedging transactions for the majority of our copper needs, which primarily range from six months up to 30 months. Those hedges typically match expected customer purchases and receive hedge accounting treatment. From time to time, we enter into forward transactions based upon long-term forecasted needs of copper. Those forward positions are typically marked to market on a quarterly basis.

In North America, we are vertically integrated due to our manufacturing capabilities for copper compounds for our copper-based wood preservatives. We believe our vertical integration is part of our proprietary processes and reflects an important competitive advantage. In addition, we believe this provides our customers with the security of a continuous supply of wood preservative chemicals. Beginning in mid-2016, we have seen large retailers and lumber dealers opting for a product mix with higher levels of preservative retention driven primarily by changes in treated wood product application standards. This shift towards a higher retention product mix simplifies the treating and stocking processes for the treaters that purchase PC products and their end-customers, as well as provides for higher quality products that will better withstand the effects of insects and fungal decay. Even though it is difficult to predict competitive trends and to quantify the total impact it will have on PC sales, operating profit, and cash flow, we believe the shift to higher retention product mix will continue into 2017 but will begin to moderate as the market completes this transition in the second quarter of 2017.

Overall, the market for existing home sales shows continued signs of improvement as reflected by the favorable outlook for same-store sales reported by major domestic home improvement retailers. The Joint Center for Housing Studies of Harvard University which is projecting another solid year for repair and remodel activity with a seven percent growth rate projected for 2017. Although there is the potential pressure of higher mortgage rates and its impact on housing sales, the housing market should be supported by the continued release of pent-up demand and the beginning of stronger participation from first-time buyers. The Consumer Confidence Index®, as reported by The Conference Board, has shown ongoing improvement and stands at 125.6 in March 2017, up from 113.3 in December 2016, which should continue to drive general economic growth.

Carbon Materials and Chemicals

The primary products produced by CMC are creosote, which is a registered pesticide in the U.S. and used primarily in the pressure treatment of railroad crossties, and carbon pitch, which is sold primarily to the aluminum industry for the production of carbon anodes used in the smelting of aluminum. We have reduced capacity in our CMC plants in North America and Europe over the past several years to meet creosote demand in North America for the treatment of railroad crossties. We currently supply our North American RUPS business with 100 percent of our creosote requirements. As discussed in the RUPS outlook, there is a short-term decrease in spending for railroad infrastructure. This will result in a shift in excess distillate production to the less profitable carbon black feedstock market until demand for creosote returns to historical levels.

While the sale of carbon pitch remains a significant portion of our sales volume, the reduction of aluminum smelting capacity in the United States, Australia and Western Europe has led to sharply lower demand for carbon pitch over the past several years. Accordingly, we have experienced significantly lower sales volumes due to the reduction in aluminum production in parts of the world where the majority of our production facilities are located. In 2017, the aluminum

production in the U.S. is expected to be relatively flat due to the reduction of global inventories, modestly improved economic demand, and more rational levels of global aluminum production.

The availability of coal tar, the primary raw material for our CMC business, is linked to levels of metallurgical coke production. As the global steel industry, excluding Asia, has reduced the production of steel using metallurgical coke, the volumes of coal tar have also been reduced. For the past decade, the coal tar distillation industry has operated in an excess capacity mode, which further increased the competition for a limited amount of coal tar in North America. As our CMC business, principally in North America, has consolidated its operating footprint and lowered production levels over the past two years, our raw material needs are significantly less than historically required and we will continue to evaluate potential opportunities to further lower our overall input costs.

CMC Restructuring Initiatives

We embarked on a plan to restructure our CMC operating footprint that reduced our global number of coal tar distillation facilities from the 11 that existed as of January 1, 2014 to four in total. The remaining facilities are located in regions where we believe we hold key competitive advantages that allow us to better serve our global customers: Stickney, Illinois; Nyborg, Denmark; Mayfield, Australia; and Jiangsu Province, China.

As a result of the reduction in operating capacity at the seven closed or sold coal tar distillation facilities, we have incurred substantial restructuring and impairment costs over the last four years. As a result of these initiatives, we expect additional restructuring and related charges to earnings of between \$9 million to \$17 million through 2020. The overall expected future cash requirements for the CMC plant closures are estimated to be approximately \$40 million through 2020. There may be additional curtailments or closures at our other CMC facilities as part of our efforts to reduce our cost structure and improve capacity utilization in our business.

Through these restructuring initiatives, we are significantly transforming our CMC business model by streamlining the operating footprint and reducing reliance on and exposure to the carbon pitch markets. We believe that the extensive and ongoing efforts to reduce our fixed cost structure will result in a sustainable improvement in earnings in addition to lower volatility in cash flow.

Seasonality and Effects of Weather on Operations

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

Results of Operations – Comparison of Three Months Ended March 31, 2017 and 2016

Consolidated Results

Net sales for the three months ended March 31, 2017 and 2016 are summarized by segment in the following table:

<i>(Dollars in millions)</i>	<i>Three Months Ended March 31,</i>		<i>Net Change</i>
	<i>2017</i>	<i>2016</i>	
Railroad and Utility Products and Services	\$ 135.5	\$ 151.4	-11%
Performance Chemicals	96.7	88.0	10%
Carbon Materials and Chemicals	114.4	107.4	7%
	\$ 346.6	\$ 346.8	0%

RUPS net sales decreased by \$15.9 million or 11 percent compared to the prior year period. The sales decrease was primarily due to lower sales volumes of treated crossties, utility products and structure services. Sales of treated crossties declined by \$11.4 million or nine percent. The reduction in treated crossties and structure services is attributed to lower spending in the rail industry due to the impact of reduced freight car loadings and rail traffic across both the Class I and commercial markets. In addition, commercial crosstie pricing has been reduced due to an over-supply of crossties in the non-Class I market. Sales of utility products declined by \$1.0 million or 12 percent due to reduced demand for structural timber in Australia.

PC net sales increased by \$8.7 million or 10 percent compared to the prior year period. The sales increase was due primarily to higher North American sales volumes for some copper-based wood preservatives and additives. Higher sales volumes were driven primarily by favorable market trends in the repair and remodeling markets and existing home sales as well as treated wood dealers stocking and selling treated wood with higher preservative retention levels. These gains

were offset in part by higher customer development costs, which are reflected as a reduction of net sales, compared to the prior year period.

CMC net sales increased by \$7.0 million or seven percent compared to the prior year period due mainly to higher sales volumes for carbon black feedstock and other coal tar products with higher sales prices for carbon pitch, carbon black feedstock and phthalic anhydride, partially offset by lower carbon pitch and creosote volumes. Our strategy is to sell as much distillate production to the higher value wood preservative market, however there was a reduction in creosote volume driven by lower demand for treated crossties. The excess distillate was sold as carbon black feedstock. Carbon pitch sales volumes were lower in the United States and China. Reduced volume of carbon pitch in the United States is due to the reduction of aluminum manufacturing capacity. Reduced volume of carbon pitch in China is due to the shutdown of our 60-percent owned CMC plant located in Tangshan, China and the sale of TKK. Sales of coal tar chemicals increased over the prior year period due to an increase in sales volumes and pricing of phthalic anhydride. The increase in pricing was driven by the effect of higher orthoxylene pricing on phthalic anhydride.

Cost of sales as a percentage of net sales was 79 percent for the quarter ended March 31, 2017 compared to 83 percent in the prior year quarter due mainly to a sales mix shift for PC as higher gross margins were driven by increased sales volumes and lower costs. In addition, higher gross margins for CMC were driven by lower raw material costs in North America and higher sales prices in Europe and Australasia. This more than offset lower sales volumes and gross margins from RUPS due to reduced sales volumes of crossties, utility poles, and railroad services combined with reduced margins in the commercial crosstie market as a result of inventory over-supply in the non-class I market.

Depreciation and amortization for the quarter ended March 31, 2017 was \$3.9 million lower when compared to the prior year period due mainly to a reduction in assets, excluding assets under construction, related to our shutdown of distillation facilities in the United States and United Kingdom.

Impairment and restructuring expenses for the quarter ended March 31, 2017 were \$3.6 million lower when compared to the prior year period due mainly to a prior year accrual for future real estate lease obligations, net of estimated sublease revenue, at our closed coal tar distillation facility in Uithoorn, the Netherlands, as well as severance charges related to our closed coal tar distillation CMC facilities in the United Kingdom and impairment charges for the remaining fixed assets at our coal tar distillation facility in Clairton, Pennsylvania. Current year charges consist of restructuring-related accelerated depreciation for the remaining fixed assets at our coal tar distillation facility in Clairton, Pennsylvania.

Selling, general and administrative expenses for the quarter ended March 31, 2017 were \$0.7 million higher when compared to the prior year period due mainly to increases in consulting and stock-based compensation expense offset by decreases in customer development costs.

Other income for the quarter ended March 31, 2017 was \$0.4 million higher when compared to the prior year period. In the quarter ended March 31, 2016, we incurred equity method losses of \$0.4 million for CMC related to our TKK facility in China.

Interest expense for the quarter ended March 31, 2017 was \$1.7 million lower than the prior year period as a result of reduced average debt levels and reduced interest rates related to our new 2025 Notes and our new Revolving Credit Facility.

Loss on extinguishment of debt for the quarter ended March 31, 2017 was \$13.3 million higher when compared to the prior year period. In the current year period, all of our senior notes due 2019 were repurchased at a premium to carrying value and accordingly, we realized a loss on extinguishment of debt totaling \$10.0 million consisting of \$7.3 million for bond premium and bond tender expenses and \$2.7 million for the writeoff of unamortized debt issuance costs. In addition, we repaid our term loan in full and entered into a new revolving credit facility. Accordingly, we realized a loss of \$3.3 million for the writeoff of unamortized debt issuance costs.

Income taxes for the quarter ended March 31, 2017 were \$1.0 million, an increase of \$1.5 million when compared to the prior year period. The increase in tax expense is primarily due to an increase in pre-tax earnings partially offset by a decrease in the estimated annual effective income tax rate. The estimated annual effective tax rates for the quarters ended March 31, 2017 and March 31, 2016 were 27.0 percent and 35.4 percent, respectively. The decrease in the estimated annual effective income tax rate is primarily due to an increased amount of foreign earnings that are taxed at more favorable rates.

Segment Results

Segment operating profit for the three months ended March 31, 2017 and 2016 is summarized by segment in the following table:

	Three Months Ended March 31,		% Change
	2017	2016	
<i>(Dollars in millions)</i>			
Operating profit (loss):			
Railroad and Utility Products and Services	\$ 9.0	\$ 13.5	(33)%
Performance Chemicals	18.6	12.6	48%
Carbon Materials and Chemicals	0.4	(17.6)	102%
Corporate	(0.4)	(0.7)	43%
	\$ 27.6	\$ 7.8	254%
Operating profit (loss) as a percentage of net sales:			
Railroad and Utility Products and Services	6.6%	8.9%	(2.3)%
Performance Chemicals	19.2%	14.3%	4.9%
Carbon Materials and Chemicals	0.3%	(16.4)%	16.7%
	8.0%	2.2%	5.8%

RUPS operating profit decreased by \$4.5 million or 33 percent compared to the prior year period. Operating profit as a percentage of net sales for RUPS decreased to 6.6 percent from 8.9 percent in the prior year quarter. Operating profit as a percentage of net sales for the three months ended March 31, 2017 was impacted by reduced sales volumes of crossties, utility poles, and railroad services combined with reduced margins in the commercial crosstie market as a result of inventory over-supply in the non-class I market. The negative impact from these factors was slightly offset by favorable volumes and sales mix of rail joint products.

PC operating profit increased by \$6.0 million or 48 percent compared to the prior year period. Operating profit as a percentage of net sales for PC increased to 19.2 percent from 14.3 percent in the prior year quarter. Operating profit for the three months ended March 31, 2017 was positively impacted due primarily to higher North American sales volumes for copper-based wood preservatives. Sales volumes have improved due to favorable market trends in the repair and remodeling markets and existing home sales. Higher sales volumes were driven primarily by changes in treated wood product application standards resulting in treated wood dealers stocking and selling more high retention ground contact treated wood.

CMC operating profit increased by \$18.0 million or 102 percent compared to the prior year period. Operating profit as a percentage of net sales for CMC increased to 0.3 percent from a loss of 16.4 percent in the prior year quarter. Operating profit for the three months ended March 31, 2017 was positively affected by lower raw material costs in North America and higher sales prices in Europe and Australasia. The positive impacts were partially offset by lower sales prices in North America, accelerated depreciation, and unabsorbed fixed costs.

Corporate operating loss decreased by \$0.3 million or 43 percent compared to the prior year period due to reduced foreign currency losses in the current year period.

Cash Flow

Net cash used in operating activities for the three months ended March 31, 2017 was \$24.1 million compared to net cash provided by operating activities of \$2.5 million in the prior year period. The net decrease of \$26.6 million in cash from operations was due primarily to higher working capital usage compared to the prior year period principally as a result of an increase in accounts receivable due to an increase in sales in the first quarter of 2017 from the fourth quarter of 2016, an increase in inventory, a decrease in accounts payable and a decrease in accrued liabilities in the current year period.

Net cash used in investing activities amounted to \$4.9 million for the three months ended March 31, 2017 compared to net cash used in investing activities of \$8.3 million in the prior year period. The decrease in cash used for investing activities of \$3.4 million is primarily due to current year capital expenditures to expand production capacity at PC in the United States and continued spending on the new naphthalene unit construction at our CMC plant in Stickney, Illinois offset by our cash proceeds of \$9.5 million from the loan repayment by TKK.

Net cash provided by financing activities was \$31.5 million for the three months ended March 31, 2017 compared to \$2.3 million of net cash provided by financing activities in the prior year period. The cash provided by financing activities in the first three months of 2017 reflected net borrowings of revolving credit of \$80.7 million offset by net repayments of long-term debt of \$38.5 million and payment of debt issuance costs of \$11.0 million from the issuance of new debt. The cash provided by financing activities in the first three months of 2016 reflected net borrowings of revolving credit of \$10.1 million offset by repayments of long-term debt of \$7.5 million.

Liquidity and Capital Resources

In January 2017, Koppers Inc. completed a private placement offering of \$500.0 million 6.00 percent Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes will pay interest semi-annually in arrears on February 15 and August 15 beginning on August 15, 2017 and will mature on February 15, 2025 unless earlier redeemed or repurchased. The 2025 Notes are unsecured and are guaranteed by Koppers Holdings Inc. and certain of Koppers Inc.'s domestic subsidiaries.

Koppers Inc. used the proceeds from the offering of the 2025 Notes to repay a portion of its outstanding term loan and to fund a tender offer to repurchase its senior notes due 2019 (the "2019 Notes"). The tender offer for the 2019 Notes was completed in early February 2017. Any 2019 Notes remaining outstanding following the tender offer were called for redemption and Koppers Inc. concurrently satisfied and discharged its remaining obligations under the indenture governing the 2019 Notes.

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

Expenses associated with the redemption of the 2019 Notes, the repayment of our term loan and placement of the new Revolving Credit Facility were \$13.3 million for the three months ended March 31, 2017 and are included in "Loss on Extinguishment of Debt" on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). These costs consist of tender offer premiums, fees and write off of unamortized debt issuance costs.

Restrictions on Dividends to Koppers Holdings

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

The basket is governed by a formula based on the sum of a beginning amount, plus or minus a percentage of Koppers Inc.'s consolidated net income (as defined in the applicable indenture), plus the net proceeds of Koppers Inc.'s qualified stock issuance or conversions of debt to qualified stock, plus the net proceeds from the sale of or a reduction in an investment (as defined in the applicable indenture) or the value of the assets of an unrestricted subsidiary which is designated a restricted subsidiary. At March 31, 2017, the basket totaled \$137.8 million. Notwithstanding such restrictions, the indenture governing the 2025 Notes permits an additional aggregate amount of \$0.30 per share each fiscal quarter to finance dividends on the capital stock of Koppers Holdings, whether or not there is any basket availability, provided that at the time of such payment, no default in the indenture has occurred or would result from financing the dividends.

In addition, certain required coverage ratios in Koppers Inc.'s Revolving Credit Facility may restrict the ability of Koppers Inc. to pay dividends. Koppers Holdings suspended its dividend in February 2015 and does not expect to declare any dividends for the foreseeable future.

Liquidity

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

As of March 31, 2017, we had \$178.6 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of March 31, 2017, \$44.1 million of commitments were utilized by outstanding letters of credit.

The following table summarizes our estimated liquidity as of March 31, 2017 (*dollars in millions*):

Cash and cash equivalents ⁽¹⁾	\$	23.4
Amount available under Revolving Credit Facility		178.6
Total estimated liquidity	\$	202.0

(1) Cash includes approximately \$23.3 million held by foreign subsidiaries, which if repatriated to the United States, would not incur a material cash tax cost.

Our estimated liquidity was \$181.5 million at December 31, 2016.

Our need for cash in the next twelve months relates primarily to contractual obligations which include debt service, purchase commitments and operating leases, as well as working capital, capital maintenance programs and the funding of plant consolidation and rationalizations. We may also use cash to pursue potential strategic acquisitions. Capital expenditures in 2017, excluding acquisitions, if any, are expected to total approximately \$70 million to \$75 million and are expected to be funded by cash from operations.

Debt Covenants

The covenants that affect availability of the Revolving Credit Facility and which may restrict the ability of Koppers Inc. to pay dividends include the following financial ratios:

- The fixed charge coverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to be less than 1.10. The fixed charge coverage ratio at March 31, 2017 was 1.72.
- The secured leverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to exceed 2.75. The leverage ratio at March 31, 2017 was 1.15.

We are currently in compliance with all covenants governing the Revolving Credit Facility. Our continued ability to meet those financial ratios can be affected by events beyond our control, however, we currently expect that our net cash flows from operating activities and funds available from our Revolving Credit Facility will be sufficient to provide for our working capital needs and capital spending requirements over the next twelve months.

Legal Matters

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

Recently Issued Accounting Guidance

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

Critical Accounting Policies

There have been no material changes to the Company's critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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, 2016.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of the end of the period covered by this report. 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 March 31, 2017 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, 2016.

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

No shares were repurchased in the three months ended March 31, 2017 under the current \$75 million share repurchase program approved in November 2011. The approximate dollar value of common shares that may yet be purchased under this program is \$52.8 million. The repurchase program has no expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On May 5, 2017 Koppers Performance Chemicals Inc. ("KPC"), a wholly-owned subsidiary of Koppers Holdings, entered into Amendment No. 2 to the Employment Letter Agreement by and among KPC and Stephen C. Reeder (the "Amendment").

The Amendment removes the provision associated with payments to be made to Mr. Reeder in the event of his termination in connection with a sale of KPC. Separately, Mr. Reeder and Koppers Inc. remain parties to a change in control agreement dated January 1, 2016, substantially in the form previously filed as exhibit 10.80 to the Koppers Holdings Quarterly Report on Form 10-Q filed on August 8, 2013.

A copy of the Amendment is attached as an exhibit hereto and incorporated herein by reference.

ITEM 6. EXHIBITS

- 10.110* Key Employee Non-Competition Agreement, dated November 8, 2006, between Osmose Holdings, Inc. and Stephen C. Reeder.
- 10.111* Amendment No. 1 to Key Employee Non-Competition Agreement, dated April 2, 2012, between Osmose Holdings, Inc. and Stephen C. Reeder.
- 10.112* Employment Letter Agreement, dated March 14, 2012, between Osmose, Inc. and Stephen C. Reeder.
- 10.113* Amendment to Employment Letter Agreement, dated June 25, 2014, by and among Osmose, Inc. and Stephen C. Reeder.
- 10.114* Amendment No. 2 to Employment Letter Agreement, entered into as of May 5, 2017, by and among Koppers Performance Chemicals Inc. and Stephen C. Reeder.
- 12.1* Computation of ratio of earnings to fixed charges
- 31.1* Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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.

Date: May 8, 2017

KOPPERS HOLDINGS INC.
(REGISTRANT)

By: /s/ MICHAEL J. ZUGAY

Michael J. Zugay
Chief Financial Officer
(Principal Financial Officer,
Principal Accounting Officer and Duly Authorized Officer)

KEY EMPLOYEE

NON-COMPETITION AGREEMENT

AGREEMENT, made and entered into this 8th day of November, 2006 between Osmose Holdings, Inc., a Delaware corporation duly organized and validly existing under the laws of the State of Delaware, having a place of business at 980 Ellicott Street, Buffalo, New York 14209, and Steve Reeder, residing at 2870 Clegg Farm Road, Social Circle, GA 30025, hereinafter referred to as the "Employee." Unless otherwise specified, the term "Corporation" as used in this Agreement shall mean collectively Osmose Holdings, Inc. and all of its subsidiaries and affiliates ("Osmose Affiliates"), and any reference to Employee's employment with the Corporation shall be deemed to refer to Employee's employment with the specific Osmose Affiliate for which he/she is employed.

WHEREAS, the Corporation recognizes that the Employee has heretofore performed services on behalf of the Corporation which have been of significant value to the Corporation as evidenced by the Employee's position as Sr. Vice President, Customer Service of Osmose, Inc.; and

WHEREAS, the Corporation anticipates that the value of future services to be performed by the Employee is significant; and

WHEREAS, the Employee, as evidenced by his/her corporate position, possesses valuable information concerning sensitive, confidential and proprietary aspects of most business dealings of the Corporation; and

WHEREAS, the Corporation believes that valuable benefits will be lost if the Employee leaves the employ of the Corporation and, therefore, wishes to insure that the Employee continues in the employ of the Corporation so as to benefit the Corporation; and

WHEREAS, the knowledge and skills of the Employee are such that the Corporation is particularly anxious to insure that the Employee will refrain from participation in competitive enterprises.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Agreement, the Corporation and the Employee consent covenant and agree as follows:

1. Prior Agreements. All Key Employee Non-Competition Agreements between the Employee and the Corporation dated prior to the date first above written are cancelled, void and of no further force or effect. The consideration for said cancellation(s) are those benefits and detriments contained in this Agreement which differ from the benefits and detriments contained in the prior Key Employee Non-Competition Agreements and both the Employee and the Corporation agree that such consideration is good, valuable and sufficient consideration. This Agreement supplements but does not supersede or cancel any other pre-existing agreement between any Osmose Affiliate and the Employee (including without limitation any employment, consulting or non-disclosure agreement) that contains any non-compete, confidentiality or similar provisions.
 2. Access to Information. The Employee acknowledges that his/her position as Sr. Vice President, Customer Service of Osmose, Inc. exposes him/her to valuable information concerning sensitive, confidential and proprietary aspects of most business dealings of the Osmose Affiliate for which he/she is employed, and may also expose him/her to valuable information concerning sensitive, confidential and proprietary aspects of other business dealings of the Corporation.
 3. Confidentiality. The Employee will take all reasonable precautions to safeguard the confidential nature of all Confidential Information (as defined below) as well as any specific precautions that the Corporation may reasonably request. Without the prior written consent of the Corporation, the Employee will not at any time, directly or indirectly, whether during or after the term of his/her employment with the Corporation, (a) sell, offer to sell, transfer, disclose or otherwise make available any Confidential Information to any corporation, governmental body, individual, partnership, association or other entity (a "Person"), (b) market, use (other than for the precise purpose for which it is disclosed to the Employee by the Corporation) or otherwise profit from any Confidential Information, (c) reproduce or otherwise copy any Confidential Information other than as required in performing his/her duties as an employee of the
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Corporation or (d) license or offer to license any Person other than the Corporation to use any Confidential Information. All Confidential Information disclosed by the Corporation to the Employee is and will at all times remain the personal property of the Corporation and all documents, drawings, models and other tangible items supplied or made available to the Employee which constitute or contain Confidential Information will, together with all copies thereof, be returned to the Corporation immediately upon demand.

For purposes of this Agreement, "Confidential information" means any and all information relating to the business, assets or product lines of the Corporation which is not generally available to the public, including, without limitation, technical know-how and data, methods and processes, manufacturing and production information, financial information and cost data, trade secrets, marketing and sales information including information as to customers, customer lists and suppliers, and business and marketing plans and strategies, and all documents, drawings, flowcharts, plans, proposals, records, blueprints, schematics, papers, notes, memoranda, manuals and other tangible items containing or relating to any such data or information.

4. Retirement Benefit.

- a; The Corporation will pay to the Employee, upon his/her Retirement (as defined below) from the Corporation, the sum of \$250,000.00 U.S. (the "Retirement Benefit"); provided however, if the Employee takes Early Retirement (as defined below), the Retirement Benefit will be reduced by 5% for each year of age between the age of the Employee at the time of Early Retirement and age 65 (for example, see Exhibit A); and further provided however, if the Employee has been employed by the Corporation and/or an Osmose Affiliate for 20 consecutive years and takes Early Retirement, the Retirement Benefit will be reduced by 5% for each year of age between the age of the Employee at the time of Early Retirement and age 62 (for example, see Exhibit B). The Corporation will pay the Retirement Benefit to the Employee in 10 equal annual installments beginning on or about the first day of the 7th month following the month of Retirement or Early Retirement, as applicable, and continuing annually thereafter on each anniversary of that date. The obligation of the Corporation to make all Retirement Benefit payment is a general unsecured obligation of the Corporation not evidenced by promissory notes or other similar instruments, and the sums required to make those payments will not be placed in trust or in escrow or otherwise physically segregated, and at all times, those sums, until paid to Employee, are assets of the Corporation subject to the claims of its general creditors.
- b. In the event the Employee is removed from his/her position as Sr. Vice President, Customer Service of Osmose, Inc. and assigned a position of lower responsibility and/or authority, the Corporation, in its sole discretion, may (i) reduce or eliminate the Retirement Benefit, or (ii) terminate this Agreement.
- c. Notwithstanding any other provision in this Agreement, to the extent that (i) any amounts payable under this Agreement are subject to Section 409A of the Internal Revenue Code ("Section 409A"), and (ii) the time or form of payment of those amounts would not be in compliance with Section 409A, then payment of those amounts will be made at such time and in such a manner that the payment will be in compliance with Section 409A. If the time or form of payment not be modified in such a way as to be compliant with Section 409A, then payment will be made as otherwise provided in this Agreement, disregarding this Paragraph 4.c.
- d. Benefits under this Agreement are intended to comply with the rules of Section 409A and the Agreement will be construed accordingly. However, the Corporation will not be liable to the Employee or the Employee's beneficiary(ies) with respect to any benefit-related adverse tax consequences arising under Section 409A or other provision of the Internal Revenue Code.

5. Retirement Defined. "Retirement," for purposes of this Agreement, will be deemed to commence under any of the following circumstances, provided those circumstances occur while the Employee is still employed by the Corporation or an Osmose Affiliate:

- a. The Employee attains the age of at least 65 years and retires (i.e., voluntarily resigns) from employment with the Corporation.

b. In the event the Employee becomes Permanently Disabled for any reason prior to age 65, Retirement will be deemed to occur at age 65, or upon the earlier death of the Employee. For purposes of this Agreement, the term "Permanently Disabled" or "Permanent Disability" has the same meaning given to that term in the long term disability insurance policy offered by the Corporation under its long term disability program in effect at the time the Permanent Disability occurs; provided however, the Employee will not be considered, Permanently Disabled for purposes of this Agreement unless the Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. If the Employee is determined to be Permanently Disabled and becomes entitled to receive payment of the Retirement Benefit as of the deemed Retirement date described in this Paragraph 5.b., the Employee may not accelerate payment of the Retirement Benefit by electing Early Retirement (i.e., voluntarily resigning) subsequent to the determination of Permanent Disability.

c. Death of the Employee.

6. Early Retirement Defined. "Early Retirement," for purposes of this Agreement, will be deemed to have commenced on the date the Employee retires (i.e., voluntarily resigns) from employment with the Corporation, as long as the Employee has attained the age of at least 55 years (but has not yet attained age 65) while the Employee is still employed by the Corporation or an Osmose Affiliate.

7. Beneficiary(ies). If the Employee dies prior or after Retirement or Early Retirement, as the case may be, the Retirement Benefit due the Employee or remaining due to the Employee under Paragraph 4.a., will be paid, in accordance with the terms of Paragraph 4.a., to the Employee's beneficiary(ies) as designated below.

Employee hereby names Kathie H. Reeder as his/her beneficiary(ies) in the event of Employee's death prior to or after Retirement or Early Retirement in accordance with the terms of this Agreement.

The Employee acknowledges that he/she has the right to revoke the named beneficiary(ies) and name a new beneficiary(ies) by giving written notice to the Corporation. The Employee acknowledges that if there is no named beneficiary(ies) or the named beneficiary(ies) is/are deceased, then any Retirement Benefit remaining due to the Employee under Paragraph 4.a. will be paid to the estate of the Employee in accordance with the terms of Paragraph 4.a.

8. Non-Compete; Non-Solicitation – Resignation or Termination.

a. the Employee agrees that during the time of his/her employment, and in the event that Employee resigns, (excluding a Retirement or Early Retirement), or is terminated by the Corporation "for cause" pursuant to Paragraph 14, then for a period of eighteen (18) months thereafter, the Employee will not engage, directly or indirectly, either as principal, agent, proprietor, director, officer or employee, or participate in the ownership, management, operations or control of any business which is competitive with any business conducted directly or indirectly by any Osmose Affiliate for which the Employee performed substantial services during the six (6) month period immediately prior to his/her resignation or termination.

b. The Employee agrees that during the time of his/her employment, and in the event that Employee resigns or is terminated by the Corporation "for cause" per the terms of Paragraph 14, then for a period of eighteen (18) months thereafter, the Employee will not, for himself/herself or on behalf of any other Person (a) employ or solicit for any employment or services any of the Corporation's employees, (b) influence or seek to influence any employee to leave the Corporation's employ or (c) contact (except pursuant to the Employee's duties on behalf of the Corporation during his/her employment) any employee of the Corporation with respect to any business matter relating to the Corporation.

9. Non-Compete; Non-Solicitation – Retirement or Early Retirement.
- a. The Employee agrees that during the time of his/her employment and for a period of ten (10) Years following his/her Retirement or Early Retirement, the Employee will not engage, directly or indirectly, either as principal, agent, proprietor, director; officer or employee, or participate in the ownership, management, operations or control of any business which is competitive with any business conducted directly or indirectly by any Osmose Affiliate for which the Employee performed substantial services during the six (6) month period immediately prior to his/her Retirement or Early Retirement. However, in the event the amount to be paid to Employee pursuant to Paragraph 4.a. is eliminated pursuant to Paragraph 4.b., the ten (10) year period in this Paragraph 9 will be reduced to eighteen (18) months.
 - b. The Employee agrees that during the time of his/her employment and for a period of ten (10) years following his/her Retirement or Early Retirement, the Employee will not, for himself/herself or on behalf of any other Person (a) employ or solicit for employment or services any of the Corporation's employees, (b) influence or seek to influence any employee to leave the Corporation's employ or (c) contact (except pursuant to the Employee's duties on behalf of the Corporation during his/her employment) any employee of the Corporation with respect to any business matter relating to the Corporation. However, in the event the amount to be paid to the employee pursuant to Paragraph 4.a. is eliminated pursuant to Paragraph 4.b., the ten (10) year period in this Paragraph 9 will be reduced to eighteen (18) months.
10. Reasonable Restrictions; Equitable Remedies. The Employee acknowledges, warrant represents and agrees that the restrictive covenants contained in this Agreement are necessary for the protection of the Corporation's legitimate business interests and are reasonable in scope and content. The Employee acknowledges that the time and other limitations of this Agreement are reasonable and properly required for the adequate protection of the business and affairs of the Corporation, and, in the event that any such time or other limitation is found to be unreasonable by a court of competent jurisdiction, the Employee agrees (a) to the reduction of any territorial, time or other limitation, or all of them, to such an area, period or otherwise as the court may determine to be reasonable; and (b) that all of the other provisions of this Agreement will remain valid, binding and in full force and effect.
- The Employee (a) acknowledges that his/her failure to comply with the covenants contained in this Agreement will cause the Corporation irrevocable harm and that a remedy at law for such a failure would be an inadequate remedy for the Corporation and (b) consents to the Corporation's obtaining from a court having jurisdiction specific performance, an injunction or any other equitable relief in order to enforce such compliance.
11. No Waiver of Other Rights or Remedies. The right of the Corporation to obtain an injunction or other equitable remedies will not be considered a waiver of the Corporation's right to assert any other remedies it may have at law or at equity (including without limitation monetary damages).
12. Not an Employee Benefit or Welfare Plan or Insurance Policy. The Employee acknowledges that this Agreement is neither an employee benefit nor welfare plan as defined by the Employment Retirement Income Security Act, nor an Insurance policy, and that it is solely a non-competition agreement.
13. Obligations Conditional; Non-Forfeitable. Notwithstanding any other provision of this Agreement, the obligations of the Corporation are expressly conditional upon the performance by the Employee of his/her obligations. In the event the Employee breaches any of his/her obligations, the Corporation, at its sole option and discretion, will have the right to terminate its obligation to make any further payments under this Agreement. However, all payments which previously have been made by the Corporation are non-forfeitable and the Corporation will have no right to recover prior payments; provided, however, that the non-forfeitable nature of any prior payments will not preclude the Corporation from separately seeking monetary damages for any breach of this Agreement by the Employee.

14. Termination for Cause. The Corporation retains the right to terminate the Employee "for cause", and upon such termination the Corporation shall be relieved from any and all obligations to pay any sum or sums to the Employee under this Agreement. For purposes of this Agreement the term "for cause" shall mean any of the following:
 - a. The Employee has been dishonest in Employee's dealings with the Corporation;
 - b. The Employee has performed an act(s), either oral or written, which was (were) done to intentionally tarnish the reputation or good will of the Corporation;
 - c. The gross negligence or willful misconduct of the Employee in the performance of his/her duties to the Corporation causing demonstrable and material injury to the Corporation, economic or otherwise;
 - d. The Employee has breached any provision(s) of Paragraph 3, 8 or 9 of this Agreement; or
 - e. The Employee has been convicted of a felony.
15. Binding Agreement. This Agreement is binding upon the Employee and the Corporation; and their respective heirs, executors, administrators, successors and assigns, and shall inure to the benefit of the parties and their respective heirs, executors, administrators, successors and assigns, provided, however, that the Employee shall have no right to transfer, assign, pledge or otherwise dispose of or encumber any of his/her rights hereunder except by last will and testament or by intestacy, and any transaction in violation of this provision shall not be binding upon the Corporation.
16. Notices. All notices or other communications required or permitted between the parties will be sufficient if personally delivered or if mailed by first class, registered or certified mail, postage prepaid, return receipt requested, to the address of the recipient party set forth at the beginning of this Agreement or to such other address as the recipient party designates by similar notice from time to time.
17. Severability. If any one or more of Paragraphs 8, 9 or 14 are declared null and void by a court of competent jurisdiction, all other terms of this Agreement will be automatically null and void and the Employee will not be entitled to receive any further payments whatsoever hereunder.
18. Governing Law. This Agreement is to be construed and enforced in accordance with the laws of the State of New York, without regard to conflicts of law principles.
19. Employment at Will. This Agreement does not confer upon the Employee any right to continued employment and the Employee acknowledges that he/she remains an employee at-will.
20. Opportunity to Review. Employee acknowledges that he/she has read this Agreement and understands all of the terms and provisions of this Agreement and Employee further acknowledges that his/her execution of this Agreement is an act of his/her free will and he/she was not coerced to sign this Agreement and that he/she was not under duress at the time of execution of this Agreement.

IN WITNESS WHEREOF, the Employee and the Corporation have executed this Agreement as of the date set forth at the beginning of this Agreement.

EMPLOYEE

Steve Reeder

\s\ Steve Reeder
Steve Reeder, L.S.,

(Signature)

OSMOSE HOLDING, INC.

By: \s\ James R. Spengler, Jr.,
James R. Spengler, Jr.,
President & CEO

EXHIBIT A

The following examples are for illustrative purposes only to be used to clarify the intent of the Early Retirement provision of Paragraph 4 where the Employee takes Early Retirement but has not been employed by the Corporation and/or an Osmose Affiliate for at least 20 consecutive years.

Example 1.

The Employee notifies the Corporation on July 1, 2007 that the Employee plans to take Early Retirement effective January 1, 2008. On January 1, 2008, the Employee will be 61 years old and will have been employed by the Corporation and/or an Osmose Affiliate for less than 20 consecutive years. The Retirement Benefit will be reduced by 20% (twenty percent) calculated as follows:

$$(65-61) \times 5\% = 20\%$$

Example 2.

The Employee notifies the Corporation on July 1, 2007 that the Employee plans to voluntarily resign effective January 1, 2008. On January 1, 2008, the Employee will be 54 years old and has been employed by the Corporation and/or an Osmose Affiliate for less than 20 consecutive years. Because the Employee is less than 55 on January 1, 2008, he/she does not meet the definition of "Early Retirement" set forth in Paragraph 6. Therefore, the Employee is not eligible to receive any Retirement Benefit.

EXHIBIT B

The following examples are for illustrative purposes only to be used to clarify the intent of the Early Retirement provision of Paragraph 4 where the Employee takes Early Retirement and has been employed by the Corporation and/or an Osmose Affiliate for at least 20 consecutive years.

EXAMPLE 1.

The Employee notifies the Corporation on July 1, 2007 that the Employee plans to take Early Retirement effective January 1, 2008. On January 1, 2008, the Employee will be 62 years old and will have been employed by the Corporation and/or an Osmose Affiliate for more than twenty (20) consecutive years. The Retirement Benefit will be paid in full and will not be reduced pursuant to Paragraph 4.a. because the Employee has attained the age of 62 and has been continuously employed by the Corporation or an Osmose Affiliate for a period of at least twenty (20) years.

EXAMPLE 2.

The Employee notifies Corporation on July 1, 2007 that the Employee plans to take Early Retirement effective January 1, 2008. On January 1, 2008, the Employee will be 60 years old and will have worked for the Corporation and/or an Osmose Affiliate for a period of twenty (20) consecutive years. The Retirement Benefit will be reduced by ten percent (10%) calculated as follows:

$$(62-60) \times 5\% = 10\%$$

EXAMPLE 3.

The Employee notifies Corporation on July 1, 2007 that the Employee plans to voluntarily resign effective January 1, 2008. On January 1, 2008, the Employee will be 54 years old and will have worked for the Corporation and/or an Osmose Affiliate for at least twenty (20) consecutive years. Because the Employee is less than 55 on January 1, 2008, he/she does not meet the definition of "Early Retirement" set forth in Paragraph 6. Therefore, the Employee is not eligible to receive any Retirement Benefit.

**AMENDMENT NO. 1
TO
KEY EMPLOYEE
NON-COMPETITION AGREEMENT**

AMENDMENT NO. 1, made and entered into this 2nd day of April, 2012 between Osmose Holdings, Inc., a Delaware corporation duly organized and validly existing under the laws of the State of Delaware, having a place of business at 980 Ellicott Street, Buffalo., New York 14209, and **Stephen C. Reeder**, residing at 2870 Clegg Farm Road, Social Circle, Georgia 30025, hereinafter referred to as the "Employee" Unless otherwise specified, the term "Corporation" as used in this Amendment No. 1 shall mean collectively Osmose Holdings, Inc. and all of its subsidiaries and affiliates ("Osmose Affiliates"), and any reference to Employee's employment with the Corporation shall be deemed to refer to Employee's employment with the specific Osmose Affiliate for which he/she is employed.

WHEREAS, the Employee is employed by the Corporation; and

WHEREAS, the Corporation and the Employee are parties to a Key Employee Non Competition Agreement dated November 8, 2006 (the "Agreement") pursuant to which, among other things, the Employee may become eligible to receive a Retirement Benefit pursuant to Section 4 of, and otherwise subject to all other terms and conditions of, the Agreement; and

WHEREAS, in recognition of the continued valuable service of the Employee with and for the Corporation the Corporation has agreed to adjust the amount of the Retirement Benefit to which the Employee may become eligible, as set forth in this Amendment No. 1.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Amendment No. 1, the Corporation and the Employee consent, covenant and agree as follows:

1. Defined Terms. Defined terms used in this Amendment No. 1 but not defined in this Amendment No. 1 shall have the meaning set forth in the Agreement.
 2. Current Title. The Employee's current position is as follows: Sr. Vice President of U.S. Wood Preserving of Osmose, Inc.
 3. Adjustment of Retirement Benefit. Effective as of the date of this Amendment No. 1, the amount of the Retirement Benefit set forth in Section 4.a. of the Agreement is hereby amended to be \$300,000.
 4. All Other Terms Remain in Effect. Except as specifically set forth in this Amendment No. 1, all other provisions, terms and conditions of the Agreement are unchanged and remain in full force and effect.
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IN WITNESS WHEREOF, the Employee and the Corporation have executed this Amendment No. 1 as of the date set forth at the beginning of this Agreement.

EMPLOYEE

Stephen C. Reeder

(Typed Name)

/s/ Stephen C. Reeder L.S.

(Signature)

OSMOSE HOLDINGS, INC.

By /s/ James R. Spengler, Jr.

James R. Spengler, Jr.
President & CEO

OSMOSE, INC.
1016 Everree Inn Road
Griffin, GA 30224

March 14,2012

STEPHEN C. REEDER
2870 Clegg Farm Road
Social Circle, GA 30025

Dear Mr. Reeder:

It is a pleasure to extend to you an offer to continue your employment with Osmose, Inc. (the "Company"). I look forward to your contribution and success as Senior Vice President of U.S. Wood Preserving of the Company, reporting to the Chief Executive Officer of Osmose Holdings, Inc ("OHI").

By accepting this offer, you agree to devote your full business time and attention to the business of the Osmose Companies (defined below) and to faithfully, diligently and competently perform your duties hereunder. During your employment with the Company, you shall continue to have the normal duties, responsibilities, functions and authority customarily exercised by you as Senior Vice President of U.S. Wood Preserving of the Company, subject to the power and authority of the board of directors of OHI (the "Board") to reasonably expand or limit such duties, responsibilities, functions and authority. While employed by the Company, you agree not to serve as an officer, director, employee, consultant or advisor to any other business without the prior written consent of the Board, which consent shall not be unreasonably withheld; provided, however, that you may serve in any such capacity for any charitable, civic or other community organization if such service does not materially interfere with your duties to the Company pursuant to this letter agreement. For the purposes of this letter agreement, "Osmose Companies" means OHI Parent, Inc. (the indirect parent entity of the Company, "Parent") and its subsidiaries.

The information below summarizes various employment details and benefits to which you will be entitled upon your acceptance of this offer.

Effective Date

This letter agreement shall be conditioned upon and effective as of the consummation of the transactions contemplated by the Agreement and Plan of Merger, (the "Merger Agreement") dated March 13, 2012, by and among OHI, Parent, OHI Intermediate Holdings, Inc. and OHI Acquisition Corporation (the "Effective Date"). If the Merger Agreement is terminated prior to such transactions being consummated, this letter agreement shall automatically terminate and be of no further force and effect.

Term of Employment

The Company shall employ you upon the terms and condition set forth in this letter agreement for the period beginning on the Effective Date.

Salary

Your annual base salary ("Salary") for the fiscal year ending December 31, 2012, will be your annual Salary in effect for the Company as of the day before the Effective Date, and your Salary shall be subject to annual review and possible adjustment thereafter during your employment with the Company and shall be paid periodically in accordance with the Company's normal payroll practice for salaried officers. For any partial years of employment, the Salary shall be prorated on an annualized basis.

Bonuses

You will be eligible for a target performance bonus each year (or pro rated portion thereof) based on performance criteria for the Company (as adjusted from time to time, "Bonus"). Your Bonus for the fiscal year ending December 31, 2012 will be determined pursuant to the Bonus plan in effect for the Company as of the day before the Effective Date. For each fiscal year following 2012, the Bonus amount and the performance criteria shall be established by the Board in consultation with you before the start of each fiscal year. Your bonus for any fiscal year, if any, shall be paid no later than March 15 of the calendar year following the calendar year in which the applicable fiscal year ended.

Benefits

During your employment with the Company, you will be entitled to participate in such retirement, welfare, fringe and other benefit plans made available by the Company to its salaried officers from time to time. The Company does not currently intend to modify the retirement, welfare, fringe or other benefits to which you are currently entitled, or the vacation or other employee policies currently applicable to you, in each case as of the date hereof, in connection with the merger contemplated under the Merger Agreement. The Company also expects you to remain employed by the Company through such merger. Participation in Company benefit plans will continue until terminated pursuant to the terms of this letter agreement, and will be governed by and subject to the terms, conditions and overall administration of such plans.

Vacation

During your employment with the Company, you will be entitled to paid vacation in accordance with the Company's then prevailing policies, which if not taken during any year may not be carried forward to any subsequent calendar year and no compensation shall be payable in lieu thereof.

Reimbursement of Expenses

During your employment with the Company, the Company will reimburse you for all reasonable travel and other expenses incurred in performing duties and responsibilities under this letter agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

At Will Employment

We anticipate and are hopeful of a long and fruitful relationship. Your employment by the Company will be "at will," meaning that you and the Company may terminate your services at any time for any reason or no reason and without prior notice.

Confidential Information, Non-Competition; Non-Solicitation

By your acceptance of this letter agreement, you agree to abide by the "Confidential Information, Non-Competition and Non-Solicitation Terms" attached hereto as Exhibit A, which are incorporated herein by reference.

Termination

If your employment is terminated by the Company without Cause or, if you resign with Good Reason (in each case, as defined below), you will receive (A) your Salary through the end of the month in which your employment is terminated, (B) as a severance payment, one (1) year (the "Severance Period") of Salary continuation (subject to possible increase at the option of the Company as provided in paragraph (d) of Exhibit A), payable in equal installments during the Severance Period in accordance with the Company's normal payroll practices, (C) a portion of the Bonus to which you would have been entitled for the fiscal year in which your employment is terminated, in an amount determined in good faith by the Board, which amount shall, at a minimum, be pro-rated based on the number of days elapsed through the date of such termination and the total in the year in which such amount is calculated and paid at or near the time bonus payments are made to other employees of the Company in respect of such fiscal year, (D) as reimbursement to you during the Severance Period, payable in accordance with the Company's normal payroll practices (or, in lieu of such reimbursement to you, the payment by the Company of), the same portion of the premium costs paid by the Company in connection with your participation in the Company's health plan prior to your separation, in connection with your election to continue group health coverage under the Company's health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended, ("COBRA"), provided, however, that in the event that you accept employment with a subsequent employer and are eligible to participate in the subsequent employer's health plan, then you must notify the Company and the Company will cease making any such further COBRA payments under this subsection, and (E) in the event of a Termination in Connection with a Sale of the Company (as defined herein), an amount equal to two hundred percent (200%) of the Bonus earned by you for the fiscal year prior to the year in which your employment terminated, payable at the time of termination (the foregoing subsections (B), (C), (D) and (E) collectively referred to herein as the "Severance Payments"). You shall be entitled to the Severance Payments (i) if and only if (A) you executed and delivered to the Company a severance agreement and general release in form and substance reasonably satisfactory to the Company (the "General Release"), and the General Release has become effective and no longer subject to revocation, no later than sixty (60) days following the termination of your employment, and (B) the General Release has become effective and is no longer subject to revocation, and the General Release has not been breached (the "Initial Severance Conditions"), and (ii) only so long as you have not breached the provisions of the General Release or breached any of the provisions of the attached "Confidential Information, Non-Competition; Non-Disclosure Terms", and you have not applied for unemployment compensation chargeable to any Osmose Company during or with respect to the Severance Period. You shall not be entitled to any other salary, compensation or benefits after termination of your employment, except as specifically provided in the Company's employee benefit plans or as required by applicable law.

Any Severance Payments pursuant to this provision shall not be paid or provided until the first scheduled payment date following the satisfaction of the Initial Severance Conditions (with the first such payment being in an amount equal to the total amount to which you would otherwise have been entitled during the period following the date of termination if such deferral had not been required); provided, however, that any such amounts that constitute nonqualified deferred compensation within the meaning of Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder ("Section 409A") shall not be paid or provided until the sixtieth (60th) day following such termination to the extent necessary to avoid adverse tax consequences under Section 409A.

"Cause" means, with respect to you, one or more of the following:

(A) The conviction of a felony or other crime involving moral turpitude, or the commission of any other act or omission involving fraud with respect to any Osmose Company or any of their customers, vendors or suppliers;

(B) The commission of any act or omission involving dishonesty with respect to any Osmose Company or any of their customers, vendors or suppliers which the Company in good faith determines has caused or could reasonably be expected to cause any Osmose Company substantial public disgrace or disrepute or substantial economic harm;

(C) Reporting to work under the influence of alcohol or under the influence or in the possession of illegal drugs or other conduct, which the Company in good faith determines has caused or could reasonably be expected to cause any Osmose Company substantial public disgrace or disrepute or substantial economic harm;

(D) Substantial and repeated failure to perform duties as reasonably directed by the Board or any other person to whom you report which failure continues after written notice of such failure and an opportunity to cure such failure within thirty (30) days of such notice;

(E) Breach of fiduciary duty, gross negligence or willful misconduct with respect to any Osmose Company;

(F) A willful and material failure to observe policies or standards approved by the Board regarding employment practices (including nondiscrimination and sexual harassment policies) as prescribed thereby from time to time which failure continues after written notice of such failure and an opportunity to cure such failure within thirty (30) days of such notice; or

(G) Any breach by you of the provisions of the "Confidential Information, Non-Competition and Non-Solicitation Terms" set forth in Exhibit A or any material breach by you of any other provision of this letter agreement, or any other agreement to which you and any Osmose Company are parties, which breach continues after written notice of such breach and an opportunity to cure such breach within thirty (30) days of such notice.

"Good Reason" means with respect to you one or more of the following:

(A) A material reduction in your salary without your consent;

(B) A relocation of your principal place of employment, without your consent, to a location more than thirty (30) miles from your then-current principal place of employment;

(C) A material demotion or diminution in your responsibilities, title or reporting structure within any Osmose Company without your consent; or

(D) A breach by the Company of any of the material terms of this letter agreement;

provided that, in any case: (a) written notice of your resignation for Good Reason must be delivered to the Company within thirty (30) days after the occurrence of any such event in order for your resignation with Good Reason to be effective hereunder; (b) the Company shall have thirty (30) days after receipt of such notice during which the Company may remedy the occurrence giving rise to the claim for Good Reason termination, and, if the Company cures such occurrence within such thirty (30)-day period, there shall be no Good Reason; and (c) you must actually resign within ninety (90) days following the event constituting Good Reason if the Company fails to remedy such occurrence.

If your employment is terminated due to your resignation without Good Reason, your Permanent Disability or death or by the Company for Cause, the Company's obligations hereunder shall immediately cease, except that (i) you or your estate will be entitled to receive accrued salary, and benefits through the date of termination, and (ii) unless you were terminated by the Company for Cause or the Company had grounds to terminate you for Cause at the time of your resignation, you will be entitled to a portion of the Bonus to which you would have been entitled for the fiscal year in which your employment is terminated, in an amount determined in good faith by the Board, which amount shall, at a minimum, be pro-rated based on the number of days elapsed through the date of such termination and the total in the year in which such amount is calculated and paid at or near the time bonus payments are made to other employees of the Company in respect of such fiscal year. For purposes of this section, the term "Permanent Disability" will have the meaning given that term in the applicable long term disability insurance policy maintained by the Company.

"Termination in Connection with a Sale of the Company," means any of the following events occurring within six (6) months following (or, in the case of clause (A) below, directly or indirectly in connection with or in anticipation of) a Sale of the Company (as defined in the Stockholders' Agreement, to be entered into on the Effective Date, by and among Parent and the stockholders of Parent, as amended from time to time in accordance with the terms thereof):

(A) A termination of your employment by the Company without Cause;

(B) A termination of your employment by you for Good Reason; or

(C) A termination of your employment by you because any successor to the Company's operations or assets (whether acquired by merger, sale, consolidation or otherwise) ("Successor") terminates (or, if such Sale of the Company is structured as a sale of the assets of the Company, fails to assume in writing), this Agreement at the time of the Sale of the Company.

Representations

You hereby represent and warrant to the Company that (i) the execution, delivery and performance of this letter agreement by you does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which you are a party or by which you are bound, (ii) you are not a party to or bound by any employment agreement or confidentiality agreement with any other person or entity or any other agreement restricting you from competing with or soliciting other persons from employment, as customers or for any other purpose, and (iii) upon the execution and delivery of this letter agreement by the Company, this letter agreement shall be the valid and binding obligation of yours, enforceable in accordance with its terms, except as enforceability may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other applicable laws, now or hereafter in effect, relating to or affecting the rights of creditors generally or by general principles of equity. You hereby acknowledge and represent that you have consulted with independent legal counsel regarding your rights and obligations under this letter agreement and that you fully understand the terms and conditions contained herein.

Corporate Opportunities

You shall submit to the Board all business, commercial and investment opportunities, or offers presented or otherwise made available to you or of which you become aware at any time during the period of your employment which relate to the business of any Osmose Company ("Corporate Opportunities"). You shall not accept or pursue, directly or indirectly, any Corporate Opportunities on your own behalf, except with Board approval.

Cooperation

During the period of your employment and thereafter, you shall cooperate with the Osmose Companies in any internal investigation, any administrative, regulatory or judicial investigation or proceeding or any dispute with a third party as reasonably requested by the Company (including by being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into your possession, all at times and on schedules that are reasonably consistent with your other permitted activities and commitments). In the event the Company requires your cooperation in accordance with this provision when you are no longer employed by any Osmose Company, the Company shall reimburse you for your time at a reasonable hourly rate and for reasonable travel expenses (including lodging and meals) upon submission of receipts.

U.S. Income Tax Rule Compliance

All payments under this letter agreement are stated in gross amounts and shall be subject to customary withholding and other amounts required by law to be withheld. The Osmose Companies shall be entitled to deduct or withhold from any amounts owing from any Osmose Company to you any federal, state, local or foreign withholding taxes, excise tax, or employment taxes ("Taxes") imposed with respect to your compensation or other payments from

any Osmose Company or your ownership interest in the Company (including wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity). In the event any Osmose Company does not make such deductions or withholdings you shall indemnify the Osmose Companies (x) for any amounts paid by any Osmose Company to a government authority in respect of your Taxes as a result of such failure to deduct or withhold and (y) if, as a result of your actions or failures, any Osmose Company is subject to any interest or penalties as a result thereof, for any amounts paid with respect to any such interest or penalties.

Section 409A Provisions

It is the intent of the parties that the compensation and benefits provided under this letter agreement either comply with or are exempt from the applicable requirements of Section 409A, and this letter agreement shall be interpreted and administered consistent with such intention.

As required by Section 409A, to the extent any reimbursement or in-kind benefit provided to you under this letter agreement is includable in your income, such reimbursement shall be paid to you no later than December 31st of the year following the year in which you incur the expense, the right to reimbursement or in-kind benefit shall not be subject to liquidation or exchange for another benefit, and the amount of reimbursable expenses or in-kind benefits provided in one year shall not increase or decrease the amount of reimbursable expenses or in-kind benefits to be provided in a subsequent year.

For purposes of the "Severance Payments" made pursuant to this letter agreement, termination of your employment means a "separation from service" with the Company as defined by Section 409A. In the event that you are a "specified employee" for purposes of Section 409A at the time of separation from service, any separation pay or other compensation payable hereunder by reason of such separation of service that would otherwise be paid during the six-month period immediately following such separation from service shall instead be paid on the six-month anniversary of the separation from service to the extent required to comply with Section 409A.

If and to the extent necessary to comply with Section 409A, a "Sale of the Company" must also qualify as a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, each within the meaning given such terms by Section 409A.

The Company makes no representation to you regarding the taxation of the compensation and benefits under this letter agreement, including, but limited to, the tax effects of Section 409A, and you shall be solely responsible for the taxes imposed upon you with respect to your compensation and benefits under this letter agreement. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on you by Section 409A or damages for failing to comply with Section 409A.

General

This letter agreement embodies the complete agreement and understanding among the parties with respect to the subject matter and supersedes and preempts any other prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. Notwithstanding the foregoing, that certain Key Employee Non Competition Agreement dated November 8, 2006, as amended (the "Key Employee Agreement"), between OHI and you, shall remain in full force and effect and shall not be superseded or preempted in any respect by this letter agreement nor shall this letter agreement be superseded or preempted in any respect by the Key Employee Agreement. The parties acknowledge that such Key Employee Agreement is designed to provide supplemental retirement compensation to you provided that you meet the criteria and otherwise comply with the terms and conditions of such agreement all of which are considered to be distinct from the compensation and terms and conditions set forth in this letter agreement. The language used in this letter agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party. All issues and questions concerning the construction, validity, enforcement and interpretation of this letter agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of New York (the "State"), without giving effect to any choice of law or conflict of law rules or provisions (whether of the State or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State. No amendment, modification, or waiver of this letter agreement shall be effective unless set forth in a written instrument executed by the Company and you. Any legal action or proceeding with respect

to this letter agreement shall be brought exclusively in the courts of the State located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York and, by execution and delivery of this letter agreement, each of the parties hereto hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto hereby irrevocably waive any objection, including any objection to the laying of venue or based on the grounds of forum non-conveniens, that any of them may now or hereafter have to the bringing of any such action or proceeding in such jurisdictions. You may not assign your rights or obligations hereunder without the prior written consent of the Company. The Osmose Companies other than the Company are express third party beneficiaries of this letter agreement.

My colleagues at the Company and I look forward to what we believe will continue to be a productive and mutually rewarding collaboration.

* * * * *

Please confirm your acceptance of this offer by signing below, returning the original to me, and keeping copy for yourself.

Sincerely,

OSMOSE, INC.

/s/ Paul A. Goydan

By: PAUL A. GOYDAN

Its: PRESIDENT

I accept the above offer of employment and agree to be bound by the terms of this letter agreement.

/s/ Stephen C. Reeder

STEPHEN C. REEDER

[Signature Page to Employment Letter Agreement]

Exhibit A

Confidential Information, Non-Competition and Non-Solicitation Terms

(a) Confidential Information. You acknowledge that in the course of your employment with any Osmose Company and any predecessors thereof, you have and will occupy a position of trust and confidence. You shall not, except in the course of the good faith performance of your duties to any Osmose Company, or as required by applicable law, without limitation in time and whether directly or indirectly, disclose to any person or entity, or use, any Confidential Information. "Confidential Information" shall mean information about the business and affairs of the Osmose Companies and their respective clients, customers or business relations, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including, without limitation, computer records) containing such Confidential Information, but "Confidential Information" excludes information which you can demonstrate (i) is in the public domain through no act or omission of you in violation of any agreement that you are party to with any Osmose Company or any policy of any Osmose Company, or (ii) has become available to you on a non-confidential basis from a source other than the Osmose Companies without breach of such source's confidentiality or non-disclosure obligations to any Osmose Company. Nothing in this paragraph shall prohibit you from disclosing Confidential Information as required by court order or as otherwise required by law, on the condition that, unless prohibited by law or court order, notice of the requirement for such disclosure is given to the Company prior to making any disclosure. You agree to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of your employment or as soon thereafter as possible, (A) all documents, computers, computer tapes and disks, records, lists, data, drawings, prints, notes, written information, keys and other personal property furnished by any Osmose Company or prepared by you during the term of your employment by the Company, and (B) all notebooks and other data relating to research or experiments or other work conducted by you in the scope of employment, and in each case, all copies thereof.

(b) Prior Employment. You are prohibited from using or disclosing any confidential information or trade secrets that you may have teamed through any prior employment. If at any time during your employment with any Osmose Company you believe you are being asked to engage in work that will, or will be likely to, jeopardize any confidentiality or other obligations you may have to former employers, you shall immediately advise the Board so that your duties can be modified appropriately. You represent and warrant to the Company that you took nothing with you which belonged to any former employer when you left your prior employment positions and that you have nothing that contains any information which belongs to any former employer. If at any time you discover this is incorrect, you shall promptly return any such materials to your former employer. The Company does not wish for you to make any such materials available to any Osmose Company, and you shall not be permitted to use or refer to any such materials in the performance of your duties hereunder.

(c) Intellectual Property, Inventions and Patents. You acknowledge that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any Confidential Information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to any Osmose Company's actual or anticipated business, research and development or existing or future products or services and which have been and are conceived, developed or made by you (whether alone or jointly with others) while employed by any Osmose Company ("Work Product"), belong to such Osmose Company. You shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the employment period) to establish and confirm such ownership (including assignments, consents, powers of attorney and other instruments). You acknowledge that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended. The foregoing provisions of this subsection (c) shall not apply to any invention that you developed entirely on your own time without using any Osmose Company's equipment, supplies, facilities or trade secret information, except for those inventions that (i) relate to any Osmose Company's business or actual or demonstrably anticipated research or development, or (ii) result from any work performed by you for any Osmose Company.

(d) Non-Competition. In further consideration of the compensation to be paid to you hereunder, you acknowledge that during the course of your employment with the Company you may have become and hereafter you may become familiar with the Osmose Companies' trade secrets and with other Confidential Information concerning the Osmose Companies now existing or as may be developed hereafter and that your services have been and shall be

of special, unique and extraordinary value to the Osmose Companies, and therefore, during the period of your employment by Osmose Companies and continuing until, subject to the last sentence of this paragraph, the first anniversary of the date that you cease to be employed with the Osmose Companies for any reason (as such period may be extended as described below, the "Applicable Period"), you shall not, directly or indirectly, provide services to or own, manage, operate, join, control, participate in, or be connected with, any business, individual, partner, firm, corporation, partnership, limited liability company or other entity that is competing with the businesses of any Osmose Company as such businesses exist or are contemplated or in process during the period of your employment or on the date of the termination or expiration of your employment; provided, however, that the "beneficial ownership" by you, either individually or as a member of a "group" as such terms are used in Rule 13d of the General Rules and Regulations under the Exchange Act, of not more than two percent (2%) of the voting stock of any publicly held corporation shall not alone constitute a violation of this paragraph. You and the Company acknowledge and agree that the business of the Company extends throughout North America, and that the terms of the non-competition agreement set forth herein shall apply throughout North America. Notwithstanding the foregoing, at any time prior to the end of the Applicable Period, the Company may in its sole discretion extend such Applicable Period by up to twenty four (24) months provided that for the period of such extension you will continue to be paid the amounts and benefits described in clauses (B) and (D) of the definition of "Severance Payments", payable in equal installments in accordance with the Company's normal payroll practices.

(e) Non-Solicitation of Customers and Suppliers. During the Applicable Period, you shall not, directly or indirectly, influence or attempt to influence any customer, supplier, licensee, licensor, franchisee or other business relation of any Osmose Company with which you had contact at any time during the twelve (12) month period prior to the termination of your employment to direct any of their business away from any Osmose Company or otherwise interfere with their relationship with the Osmose Companies.

(f) Non-Solicitation of Employees. You recognize that you possess and will possess Confidential Information about other employees of the Osmose Companies relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with customers of the Osmose Companies. You recognize that the information you possess and will possess about these other employees is not and will not be generally known, is of substantial value to the Osmose Companies in developing their businesses and in securing and retaining customers, and has been and will be acquired by you because of your business position with the Company. You agree that, during the Applicable Period, you will not (other than by means of a general non-targeted solicitation), directly or indirectly, solicit, recruit, induce, or encourage or attempt to solicit, recruit, induce, or encourage any employee of any Osmose Company to terminate his or her employment or any other relationship with the Osmose Companies or otherwise interfere with their relationship with the Osmose Companies. You also agree that you will not convey or otherwise disclose any such Confidential Information or trade secrets about other employees of the Osmose Companies to any other person or entity.

(g) Non-Disparagement. You shall not directly or indirectly, make any derogatory or negative statements or communications regarding any Osmose Company or any of their respective employees, officers, directors, or equityholders. The Company shall not and shall not permit any other Osmose Company to issue any public statement, press release or announcement that includes any derogatory or negative statements regarding you.

(h) Remedies. If, at the time of enforcement of this Exhibit A, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Because your services are unique and because you have access to Confidential Information and Work Product, the parties hereto agree that the Osmose Companies would suffer irreparable harm from a breach of this Exhibit A by you and that money damages would not be an adequate remedy for any such breach of this Exhibit A. Therefore, in the event a breach or threatened breach of this Exhibit A, the Osmose Companies and their successors or assigns, in addition to other rights and remedies existing in their favor, shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by you of subsection (d), (e) or (f), the Applicable Period shall be automatically extended by the amount of time between the initial occurrence of the breach or violation and when such breach or violation has been duly cured.

(i) Additional Acknowledgements. In addition, you acknowledge that the provisions of this Exhibit A are in consideration of your employment with the Company and additional good and valuable consideration as set forth in

this letter agreement. You also acknowledge that (i) the restrictions contained in this Exhibit A will not preclude you from earning a livelihood, nor will they unreasonably impose limitations on your ability to earn a living, following your employment by the Company, (ii) the business of the Osmose Companies is national in scope and (iii) notwithstanding the state of formation or principal office of the Company or residence of any of its executives or employees (including you), the Osmose Companies have business activities and have valuable business relationships within their respective industry throughout the United States. You agree and acknowledge that the potential harm to the Osmose Companies of the non-enforcement of this Exhibit A outweighs any potential harm to you of its enforcement by injunction or otherwise. You acknowledges that you have carefully read this Exhibit A and consulted with legal counsel of your choosing regarding its contents, have given careful consideration to the restraints imposed upon you by this Exhibit A and are in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of the Osmose Companies now existing or to be developed in the future. You expressly agree and acknowledge that each and every restraint imposed by this Exhibit A is reasonable with respect to subject matter, time period and geographical area.

(j) Survival of Provisions. The obligations contained in this Exhibit A shall survive the termination or expiration of your employment with the Osmose Companies and shall be fully enforceable thereafter.

AMENDMENT TO EMPLOYMENT LETTER AGREEMENT

THIS AMENDMENT TO EMPLOYMENT LETTER AGREEMENT ("Amendment") is made and entered into as of JUNE 25, 2014, 2014 by and among Osmove, Inc. (the "Company"), Koppers Inc. ("Koppers") and Stephen C. Reeder ("Employee"). The parties are entering into this Amendment in connection with the Stock Purchase Agreement, dated April 13, 2014, by and among the Company, Koppers and the other parties thereto (the "Stock Purchase Agreement"), pursuant to which Osmove Holdings, Inc. agreed to sell the Transferred Business (as defined in the Stock Purchase Agreement) to Koppers.

The Company and Employee are parties to an Employment Letter Agreement, dated as of March 14, 2012 (the "Employment Agreement").

Effective on and as of the Closing (as defined in the Stock Purchase Agreement), the parties have agreed to amend the Employment Agreement on the terms and subject to the conditions set forth below.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. This Amendment will become effective immediately on and as of the consummation of the Closing.
 2. The parties wish to amend the Employment Agreement effective immediately following the Closing. The Employment Agreement will be amended by:
 - (a) Deleting the phrases "Osmove Holdings, Inc." and "OHI" and replacing them with the phrase "Koppers Inc." in each instance they appear, except (i) in line three of the first paragraph on page one of the Employment Agreement and (ii) in line six in the paragraph entitled "General" on page seven of the Employment Agreement.
 - (b) Deleting the phrase "Osmove Companies" and replacing it with the phrase "Koppers Companies" in each instance it appears.
 - (c) Deleting the phrase "OHI Parent, Inc." and replacing it with the phrase "Koppers Holdings Inc." in each instance it appears.
 - (d) Deleting the phrase "Chief Executive Officer of Osmove Holdings, Inc." as it appears in line three of the first paragraph on page one of the Employment Agreement and replacing it with the phrase "President of the Company."
 - (e) Deleting the paragraph entitled "Effective Date" on page one of the Employment Agreement in its entirety and replacing it with the following paragraph:

"Effective Date

This letter agreement shall be conditioned upon and effective as of the consummation of the transactions contemplated in the Stock Purchase Agreement, dated April 13, 2014, by and among the Company, Koppers Inc., and the other parties thereto (the "Stock Purchase Agreement"), pursuant to which Osmove Holdings, Inc. agreed to sell the Transferred Business (as defined in the Stock Purchase Agreement) to Koppers Inc. (the "Effective Date")."
 - (f) Deleting the second sentence in the paragraph entitled "Benefits" on page two of the Employment Agreement in its entirety and replacing it with the following sentence:

"After the Closing, Koppers Inc. shall cause the Company to provide compensation and benefits to employees of the Company no less favorable, in the aggregate, than those to which such employees were entitled immediately prior to the Closing."
 - (g) Deleting the third sentence in the paragraph entitled "Benefits" on page two of the Employment Agreement in its entirety and replacing it with the following sentence:

"The Company also expects you to remain employed by the Company after the Closing."
-

- (h) Deleting the definition of "Termination in Connection with a Sale of the Company" on page five of the Employment Agreement in its entirety and replacing it with the following:

"Termination in Connection with a Sale of the Company" means any of the following events occurring within six (6) months following (or in case of clause (A) below, directly or indirectly in connection with or in anticipation of) a sale of more than 50% of the stock or assets of the Company:

- (A) A termination of your employment by the Company without Cause;
- (B) A termination of your employment by you for Good Reason; or
- (C) A termination of your employment by you because any successor to the Company's operations or assets (whether acquired by merger, sale, consolidation or otherwise) ("Successor") terminates (or, if such Sale of the Company is structured as a sale of the assets of the Company, fails to assume in writing), this Agreement at the time of the Sale of the Company.

- (i) Deleting the phrase "OHI" in line six in the paragraph entitled "General" on page seven of the Employment Agreement and replacing it with the phrase "Osrose Holdings, Inc."

3. **Notwithstanding any provision of this Amendment to the contrary, if the Closing is not consummated, the Employment Agreement will not be amended as provided in Section 2 and this Amendment will be null and void in its entirety.**
4. Except as expressly amended by this Amendment, the Employment Agreement, and all of the terms and conditions thereof, will remain in full force and effect.
5. Each party agrees, on written request of the other party, to do all acts and execute, deliver and perform all additional documents, instruments and agreements that may be reasonably required by the requesting party to implement the provisions and purposes of this Amendment.
8. This Amendment may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Amendment, but all of which together will constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth at the beginning of this Agreement.
OSMOSE, INC.

By: /s/ Paul A. Goydan

Its: President

KOPPERS INC.

By: Steven R. Lacy

Its: Senior Vice President, Administration, General Counsel and Secretary

EMPLOYEE

/s/ Stephen C. Reeder

Stephen C. Reeder

AMENDMENT NO. 2 TO EMPLOYMENT LETTER AGREEMENT

THIS AMENDMENT NO. 2 TO EMPLOYMENT LETTER AGREEMENT ("Amendment") is made and entered into as of May 5, 2017 by and among Koppers Performance Chemicals Inc. (f/k/a Osmose, Inc.) (the "Company") and Stephen C. Reeder ("Employee").

The Company and Employee are parties to an Employment Letter Agreement, dated as of March 14, 2012 (the "Original Agreement"), as amended by that certain Amendment to Employment Letter Agreement, dated as of June 25, 2014 (the "First Amendment") and, together with the Original Agreement, the "Employment Agreement").

Effective on and as of the date hereof, the parties have agreed to amend the Employment Agreement on the terms and subject to the conditions set forth below.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. The Employment Agreement will be amended by:
 - a. Deleting subsection (E) in the paragraph entitled "Termination" on page three of the Original Agreement in its entirety.
 - b. Deleting the phrase "(the foregoing subsections (B), (C), (D) and (E) collectively referred to herein as the "Severance Payments")" in lines 21 and 22 in the paragraph entitled "Termination" on page three of the Original Agreement and replacing it with the phrase "(the foregoing subsections (B), (C) and (D) collectively referred to herein as the "Severance Payments")".
 - c. Deleting Section 2(h) of the First Amendment in its entirety and replacing it with "RESERVED."
2. Except as expressly amended by this Amendment, the Employment Agreement, and all of the terms and conditions thereof, will remain in full force and effect.
3. Each party agrees, on written request of the other party, to do all acts and execute, deliver and perform all additional documents, instruments and agreements that may be reasonably required by the requesting party to implement the provisions and purposes of this Amendment.
4. This Amendment may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Amendment, but all of which together will constitute one and the same Amendment.

[Signatures appear on following page]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

KOPPERS PERFORMANCE CHEMICALS INC.

By /s/ Steven R. Lacy_____

Name: Steven R. Lacy
Title: Secretary

EMPLOYEE

/s/ Stephen C. Reeder

Stephen C. Reeder

KOPPERS HOLDINGS INC.
RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions, except ratios)

	2012	2013	2014	2015	2016	Three Months Ended March 31, 2017
Earnings:						
Income (loss) from continuing operations before taxes	\$ 100.6	\$ 77.0	\$ (5.9)	\$ (80.1)	\$ 38.5	\$ 5.7
Deduct: Equity earnings net of dividends	0.8	0.8	(1.6)	(3.1)	(1.0)	0.0
Deduct: Pre-tax income of noncontrolling interests	2.0	-	-	-	-	0.2
Add: Fixed charges	41.6	39.4	51.8	64.6	66.4	14.2
Earnings as defined	\$ 139.4	\$ 115.6	\$ 47.5	\$ (12.4)	\$ 105.9	\$ 19.7
Fixed charges:						
Interest expensed	\$ 27.9	\$ 26.8	\$ 39.1	\$ 50.7	\$ 50.8	\$ 10.6
Other	0.0	0.4	1.3	0.0	0.0	0.0
Rents	44.3	39.4	36.7	44.7	50.3	11.6
Interest factor	31%	31%	31%	31%	31%	31%
Estimated interest component of rent	13.7	12.2	11.4	13.9	15.6	3.6
Total fixed charges	\$ 41.6	\$ 39.4	\$ 51.8	\$ 64.6	\$ 66.4	\$ 14.2
Ratio of earnings to fixed charges⁽¹⁾	3.35	2.93	0.92	(0.19)	1.59	1.39

(1) In 2014 and 2015, earnings did not cover fixed charges by \$4.3 million and \$77.0 million, respectively.

CERTIFICATIONS

I, Leroy M. Ball, 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: May 8, 2017

/s/ LEROY M. BALL, JR.
Leroy M. Ball, Jr.
President and Chief Executive Officer

CERTIFICATIONS

I, Michael J. Zugay, 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: May 8, 2017

/s/ MICHAEL J. ZUGAY
Michael J. Zugay
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 March 31, 2017 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/ LEROY M. BALL, JR.
Leroy M. Ball, Jr.
Chief Executive Officer

May 8, 2017

/s/ MICHAEL J. ZUGAY
Michael J. Zugay
Chief Financial Officer

May 8, 2017