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

# FORM 10-Q

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

For the quarterly period ended June 30, 2015

Commission file number 1-32737

# KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Pennsylvania<br>(State of incorporation) | 20-1878963<br>(IRS Employer Identification No.) |

436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
(Address of principal executive offices)

(412) 227-2001
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

Common Stock, par value $0.01 per share, outstanding at July 31, 2015 amounted to 20,553,284 shares.

## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| *(Dollars in millions, except per share amounts)* | *(Unaudited)* | | *(Unaudited)* | |
| Net sales | $ 431.6 | $ 356.8 | $ 829.4 | $ 688.2 |
| Cost of sales (excluding items below) | 356.8 | 311.9 | 700.3 | 597.0 |
| Depreciation and amortization | 17.7 | 9.7 | 32.7 | 18.6 |
| Gain on sale of business | 0.0 | 0.0 | (3.2) | 0.0 |
| Impairment and restructuring charges | 0.0 | 0.0 | 2.7 | 15.5 |
| Selling, general and administrative expenses | 31.1 | 21.9 | 62.9 | 43.3 |
| Operating profit | 26.0 | 13.3 | 34.0 | 13.8 |
| Other income (loss) | 0.2 | (0.3) | 0.4 | (0.1) |
| Interest expense | 12.9 | 6.6 | 25.9 | 13.4 |
| Income before income taxes | 13.3 | 6.4 | 8.5 | 0.3 |
| Income tax provision (benefit) | 5.4 | 5.6 | 4.8 | (0.4) |
| Income from continuing operations | 7.9 | 0.8 | 3.7 | 0.7 |
| Loss from discontinued operations, net of tax benefit of $0.0, $0.1, $0.0 and $0.1 | 0.0 | (0.1) | 0.0 | (0.1) |
| Net income | 7.9 | 0.7 | 3.7 | 0.6 |
| Net loss attributable to noncontrolling interests | (1.1) | (0.9) | (1.9) | (3.2) |
| Net income attributable to Koppers | $ 9.0 | $ 1.6 | $ 5.6 | $ 3.8 |
| Earnings per common share attributable to Koppers common shareholders: | | | | |
| Basic | $ 0.44 | $ 0.08 | $ 0.28 | $ 0.19 |
| Diluted | $ 0.44 | $ 0.08 | $ 0.27 | $ 0.19 |
| Comprehensive income (loss) | $ 11.1 | $ 3.2 | $ (3.1) | $ 5.8 |
| Comprehensive loss attributable to noncontrolling interests | (1.1) | (0.9) | (1.9) | (3.6) |
| Comprehensive income (loss) attributable to Koppers | $ 12.2 | $ 4.1 | $ (1.2) | $ 9.4 |
| Weighted average shares outstanding *(in thousands):* | | | | |
| Basic | 20,545 | 20,475 | 20,529 | 20,430 |
| Diluted | 20,640 | 20,582 | 20,603 | 20,584 |
| Dividends declared per common share | $ 0.00 | $ 0.25 | $ 0.00 | $ 0.50 |

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEET

| (Dollars in millions, except per share amounts) | June 30, 2015 (Unaudited) | December 31, 2014 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 51.2 | $ 51.1 |
| Accounts receivable, net of allowance of $5.8 and $5.6 | 204.8 | 198.7 |
| Income tax receivable | 1.8 | 0.0 |
| Inventories, net | 223.4 | 241.2 |
| Deferred tax assets | 13.6 | 10.5 |
| Loan to related party | 9.5 | 9.5 |
| Other current assets | 33.9 | 30.3 |
| Total current assets | 538.2 | 541.3 |
| Equity in non-consolidated investments | 3.9 | 5.0 |
| Property, plant and equipment, net | 291.9 | 299.7 |
| Goodwill | 256.6 | 247.2 |
| Intangible assets, net | 165.2 | 167.7 |
| Deferred tax assets | 8.3 | 7.8 |
| Other assets | 26.0 | 25.2 |
| Total assets | $ 1,290.1 | $ 1,293.9 |
| Liabilities | | |
| Accounts payable | $ 170.8 | $ 120.6 |
| Accrued liabilities | 95.3 | 122.5 |
| Dividends payable | 0.0 | 5.1 |
| Current maturities of long-term debt | 45.4 | 43.9 |
| Total current liabilities | 311.5 | 292.1 |
| Long-term debt | 748.8 | 806.6 |
| Accrued postretirement benefits | 54.1 | 54.7 |
| Deferred tax liabilities | 9.5 | 10.2 |
| Other long-term liabilities | 87.3 | 46.4 |
| Total liabilities | 1,211.2 | 1,210.0 |
| Commitments and contingent liabilities (Note 18) | | |
| Equity | | |
| Senior Convertible Preferred Stock, $0.01 par value per share; 10,000,000 shares authorized; no shares issued | 0.0 | 0.0 |
| Common Stock, $0.01 par value per share; 80,000,000 shares authorized; 22,012,120 and 21,722,492 shares issued | 0.2 | 0.2 |
| Additional paid-in capital | 166.3 | 164.5 |
| Retained earnings | 23.7 | 18.0 |
| Accumulated other comprehensive loss | (67.1) | (60.3) |
| Treasury stock, at cost, 1,458,837 and 1,390,494 shares | (52.7) | (52.4) |
| Total Koppers shareholders' equity | 70.4 | 70.0 |
| Noncontrolling interests | 8.5 | 13.9 |
| Total equity | 78.9 | 83.9 |
| Total liabilities and equity | $ 1,290.1 | $ 1,293.9 |

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

KOPPERS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| *(Dollars in millions)* | *(Unaudited)* | |
| Cash provided by (used in) operating activities: | | |
| Net income | $ 3.7 | $ 0.6 |
| Adjustments to reconcile net cash provided by operating activities: | | |
| Depreciation and amortization | 32.7 | 18.6 |
| Impairment charges | 2.7 | 4.7 |
| Gain on sale of assets and businesses | (3.2) | 0.0 |
| Deferred income taxes | (0.6) | (6.6) |
| Equity income, net of dividends received | 1.1 | 0.4 |
| Change in other liabilities | 0.1 | (8.2) |
| Non-cash interest expense | 1.8 | 0.8 |
| Stock-based compensation | 2.0 | 3.2 |
| Deferred revenue | 29.0 | 0.0 |
| Other | 0.5 | 0.6 |
| Changes in working capital: | | |
| Accounts receivable | (10.5) | (0.3) |
| Inventories | 4.5 | (1.8) |
| Accounts payable | 44.2 | (15.8) |
| Accrued liabilities and other working capital | (29.9) | (4.9) |
| Net cash provided by (used in) operating activities | 78.1 | (8.7) |
| Cash (used in) provided by investing activities: | | |
| Capital expenditures | (17.3) | (35.6) |
| Acquisitions, net of cash acquired | (15.3) | (29.6) |
| Net cash proceeds from divestitures and asset sales | 12.5 | 0.0 |
| Net cash used in investing activities | (20.1) | (65.2) |
| Cash provided by (used in) financing activities: | | |
| Borrowings of revolving credit | 299.6 | 138.0 |
| Repayments of revolving credit | (342.8) | (113.7) |
| Borrowings of long-term debt | 1.6 | 31.2 |
| Repayments of long-term debt | (15.0) | 0.0 |
| Issuances of Common Stock | 0.0 | 0.7 |
| Proceeds from issuance of noncontrolling interest | 0.0 | 1.4 |
| Repurchases of Common Stock | (0.3) | (2.0) |
| Payment of deferred financing costs | (1.0) | 0.0 |
| Dividends paid | (8.7) | (10.2) |
| Net cash (used in) provided by financing activities | (66.6) | 45.4 |
| Effect of exchange rate changes on cash | 8.7 | 0.7 |
| Net increase (decrease) in cash and cash equivalents | 0.1 | (27.8) |
| Cash and cash equivalents at beginning of period | 51.1 | 82.2 |
| Cash and cash equivalents at end of period | $ 51.2 | $ 54.4 |

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Holdings Inc.'s and its subsidiaries' ("Koppers", "Koppers Holdings" or the "Company") financial position and interim results as of and for the periods presented have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Because the Company's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet for December 31, 2014 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2014.

The financial information included herein should be read in conjunction with the Company's audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2014.

2. New Accounting Pronouncements

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

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

In February 2015, the FASB released updated consolidation guidance that entities must use to evaluate specific ownership and contractual arrangements that lead to a consolidation conclusion. The updates could change consolidation outcomes affecting presentation and disclosures. This guidance becomes effective January 1, 2016. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application. In July 2015, the FASB adopted a one-year deferral of this guidance. As a result, this guidance will be effective January 1, 2018 with the option to adopt the standard as of the original effective date, January 1, 2017. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company's financial statements.

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

## 3. Plant Closures and Divestitures

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

In March 2015, the Company announced its decision to discontinue production at its Railroad and Utility Products and Services plant located in Green Spring, West Virginia. Accordingly, the Company recorded a severance and fixed asset impairment charge of $2.7 million. As of June 30, 2015, the remaining net book value of fixed assets subject to impairment was $0.4 million. This amount will be reflected in depreciation expense on an accelerated basis reflecting management's estimate of the remaining useful life of the assets. The closure is expected to be completed by September 2015.

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

| *(Dollars in millions)* | *Severance and employee benefits* | *Environmental remediation* | *Site demolition* | *Other* | *Total* |
|---|---|---|---|---|---|
| Reserve at December 31, 2013 | $ 0.1 | $ 5.6 | $ 3.3 | $ 0.0 | $ 9.0 |
| Accrual | 9.8 | 0.0 | 3.2 | 0.1 | 13.1 |
| Reversal of accrued charges | 0.0 | (1.1) | (0.9) | 0.0 | (2.0) |
| Cash paid | (9.7) | 0.0 | (1.3) | 0.0 | (11.0) |
| Currency translation | (0.2) | (0.4) | (0.4) | 0.0 | (1.0) |
| Reserve at December 31, 2014 | $ 0.0 | $ 4.1 | $ 3.9 | $ 0.1 | $ 8.1 |
| Accrual | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 |
| Reversal of accrued charges | 0.0 | 0.0 | (0.3) | (0.1) | (0.4) |
| Cash paid | 0.0 | 0.0 | (1.5) | 0.0 | (1.5) |
| Currency translation | 0.0 | (0.2) | (0.3) | 0.0 | (0.5) |
| Reserve at June 30, 2015 | $ 0.3 | $ 3.9 | $ 1.8 | $ 0.0 | $ 6.0 |

## 4. Business Acquisitions

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

*Osmose Entities* – On August 15, 2014, pursuant to the terms and conditions of a stock purchase agreement, Koppers Inc. acquired Osmose, Inc. and Osmose Railroad Services, Inc. (together, the "Osmose Entities") from Osmose Holdings, Inc. The aggregate cash purchase price was $494.1 million, less cash acquired of $27.2 million. The cash purchase price was funded by a new credit agreement with a consortium of banks which provides for a $500 million revolving credit facility and a $300 million term loan. Acquisition-related costs for the three month and six month periods ended June 30, 2014 were $2.7 million and $4.1 million, respectively, and are reported in selling, general and administrative expenses.

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

The consolidated balance sheet as of December 31, 2014 reflected a preliminary fair value determination of the acquired assets and liabilities based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to change. As of June 30, 2015, the Company has adjusted the value of certain acquired assets and liabilities which has resulted in a net increase to goodwill of approximately $9.2 million since December 31, 2014. The fair value determination of the acquired assets and liabilities is substantially complete and will be finalized in the third quarter of 2015.

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

| *(Dollars in millions)* | *Three months ended June 30, 2014* | *Six months ended June 30, 2014* |
|---|---|---|
| Revenue | $ 470.1 | $ 892.8 |
| Income from continuing operations attributable to Koppers | 12.5 | 13.0 |

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

## 5. Fair Value Measurements

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

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (Dollars in millions) | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Financial assets: | | | | |
| Cash and cash equivalents, including restricted cash | $ 51.2 | $ 51.2 | $ 51.1 | $ 51.1 |
| Investments and other assets[a] | 1.4 | 1.4 | 1.5 | 1.5 |
| Financial liabilities: | | | | |
| Long-term debt (including current portion) | $ 806.2 | $794.2 | $ 862.1 | $850.5 |

(a) *Excludes equity method investments.*

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

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

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

## 6. Comprehensive Income and Equity

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (Dollars in millions) | 2015 | 2014 | 2015 | 2014 |
| Net income | $ 7.9 | $ 0.7 | $ 3.7 | $ 0.6 |
| Other comprehensive income (loss): | | | | |
| Change in currency translation adjustment | 2.4 | 0.9 | (8.2) | 0.7 |
| Change in foreign currency transactions of long-term subsidiary investments | 0.0 | 1.0 | 0.0 | 3.4 |
| Change in derivative financial instrument net loss, net of tax benefit (expense) of $0.1, $0.0, $0.2 and $0.0 | (0.2) | 0.0 | (0.5) | 0.0 |
| Change in unrecognized pension net income, net of tax benefit (expense) of $(0.4), $(0.2), $(0.8) and $(0.5) | 1.0 | 0.6 | 2.0 | 1.2 |
| Change in unrecognized prior service cost, net of tax benefit (expense) of $0.0, $0.0, $0.0 and $0.0 | 0.0 | 0.0 | (0.1) | (0.1) |
| Total comprehensive income (loss) | 11.1 | 3.2 | (3.1) | 5.8 |
| Less: comprehensive loss attributable to noncontrolling interests | (1.1) | (0.9) | (1.9) | (3.6) |
| Comprehensive income (loss) attributable to Koppers | $ 12.2 | $ 4.1 | $ (1.2) | $ 9.4 |

Amounts reclassified from accumulated other comprehensive income to net income consist of amounts shown for changes in unrecognized pension net loss, unrecognized prior service cost and unrecognized transition asset. These components of accumulated other comprehensive income are included in the computation of net periodic pension cost as disclosed in Note 13 – Pensions and Postretirement Benefit Plans. Other amounts reclassified from accumulated other comprehensive income include losses related to derivative financial instruments of $1.0 million and $1.9 million for the three and six months ended June 30, 2015, respectively.

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

| *(Dollars in millions)* | *Total Koppers Shareholders' Equity* | *Noncontrolling Interests* | *Total Equity* |
|---|---|---|---|
| Balance at December 31, 2014 | $ 70.0 | $ 13.9 | $ 83.9 |
| Net income (loss) | 5.6 | (1.9) | 3.7 |
| Employee stock plans | 2.0 | 0.0 | 2.0 |
| Other comprehensive (loss) income | (6.9) | 0.0 | (6.9) |
| Dividends | 0.0 | (3.5) | (3.5) |
| Repurchases of common stock | (0.3) | 0.0 | (0.3) |
| Balance at June 30, 2015 | $ 70.4 | $ 8.5 | $ 78.9 |

| *(Dollars in millions)* | *Total Koppers Shareholders' Equity* | *Noncontrolling Interests* | *Total Equity* |
|---|---|---|---|
| Balance at December 31, 2013 | $ 169.8 | $ 20.0 | $ 189.8 |
| Net income (loss) | 3.8 | (3.2) | 0.6 |
| Issuance of common stock | 0.7 | 0.0 | 0.7 |
| Employee stock plans | 3.4 | 0.0 | 3.4 |
| Other comprehensive income (loss) | 5.6 | (0.5) | 5.1 |
| Dividends | (10.4) | 0.0 | (10.4) |
| Investment in noncontrolling interests | 0.0 | 1.4 | 1.4 |
| Repurchases of common stock | (2.0) | 0.0 | (2.0) |
| Balance at June 30, 2014 | $ 170.9 | $ 17.7 | $ 188.6 |

7. Earnings per Common Share

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

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

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| *(Dollars in millions, except share amounts, in thousands, and per share amounts)* | | | | |
| Net income attributable to Koppers | $ 9.0 | $ 1.6 | $ 5.6 | $ 3.8 |
| Less: loss from discontinued operations | 0.0 | (0.1) | 0.0 | (0.1) |
| Income from continuing operations attributable to Koppers | $ 9.0 | $ 1.7 | $ 5.6 | $ 3.9 |
| Weighted average common shares outstanding: | | | | |
| Basic | 20,545 | 20,475 | 20,529 | 20,430 |
| Effect of dilutive securities | 95 | 107 | 74 | 154 |
| Diluted | 20,640 | 20,582 | 20,603 | 20,584 |
| Earnings per common share – continuing operations: | | | | |
| Basic earnings per common share | $ 0.44 | $ 0.08 | $ 0.28 | $ 0.19 |
| Diluted earnings per common share | 0.44 | 0.08 | 0.27 | 0.19 |
| Other data: | | | | |
| Antidilutive securities excluded from computation of diluted earnings per common share | 442 | 284 | 644 | 258 |

8. Stock-based Compensation

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

Under the LTIP, the board of directors granted restricted stock units and performance stock units to certain employee participants (collectively, the "stock units"). For grants prior to 2015, restricted stock units vest on the third anniversary of the grant date, assuming continued employment by the participant. For the March 2015 grant, the restricted stock units vest in four equal annual installments. Performance stock units granted generally have three-year performance objectives and all performance stock units have a three-year period for vesting (if the applicable performance objective is obtained). The applicable performance objective is based upon a multi-year cumulative value creation calculation that considers the Company's financial performance commencing on the first day of each grant year. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 150 percent or 200 percent (depending on the grant date) of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest.

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

Restricted stock units that vest immediately or have one-year vesting periods are also issued under the LTIP to members of the board of directors in connection with annual director compensation and, from time to time, are issued to members of management in connection with employee compensation.

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

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

| *Performance Period* | *Minimum Shares* | *Target Shares* | *Maximum Shares* |
|---|---|---|---|
| 2013 – 2015 | 0 | 80,578 | 120,867 |
| 2014 – 2016 | 0 | 94,341 | 141,512 |
| 2015 – 2017 | 0 | 223,684 | 447,368 |

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

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

Prior to 2015, stock options to most executive officers vest and become exercisable upon the completion of a three-year service period commencing on the grant date. For the March 2015 grant, the stock options vest in four equal annual installments. The stock options have a term of 10 years. In the event of termination of employment, other than retirement, death or disability, any non-vested options are forfeited. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the options over the service period will result. There are special vesting provisions for the stock options related to a change in control.

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

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

The dividend yield is based on the Company’s current and prospective dividend rate which calculates a continuous dividend yield based upon the market price of the underlying common stock. The expected life in years for the March 2015 grant is based on historical exercise data of options previously granted by the Company. The expected life in years for grants prior to 2015 are based on the simplified method permitted under Securities and Exchange Commission Staff Accounting Bulletin No. 14d.2 which calculates the average of the weighted vesting term and the contractual term of the option. This method was selected due to the lack of historical exercise data with respect to the Company at the time of those grants. Expected volatility is based on the historical volatility of the Company’s common stock and the historical volatility of certain other similar public companies. The risk-free interest rate is based on U.S. Treasury bill rates for the expected life of the option.

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

| | *Options* | *Weighted Average Exercise Price per Option* | *Weighted Average Remaining Contractual Term (in years)* | *Aggregate Intrinsic Value (in millions)* |
|---|---|---|---|---|
| Outstanding at December 31, 2014 | 448,812 | $ 36.58 | | |
| Granted | 330,159 | $ 17.57 | | |
| Forfeited | (4,722) | $ 39.23 | | |
| Outstanding at June 30, 2015 | 774,249 | $ 28.46 | 7.24 | $ 2.6 |
| Exercisable at June 30, 2015 | 333,697 | $ 35.36 | 4.42 | $ 0.2 |

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

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| *(Dollars in millions)* | | | | |
| Stock-based compensation expense recognized: | | | | |
| Selling, general and administrative expenses | $ 1.3 | $ 2.0 | $ 2.0 | $ 3.2 |
| Less related income tax benefit | 0.5 | 0.8 | 0.8 | 1.3 |
| | $ 0.8 | $ 1.2 | $ 1.2 | $ 1.9 |

As of June 30, 2015, total future gross compensation expense related to non-vested stock-based compensation arrangements, which are expected to vest, totaled $8.9 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: Carbon Materials and Chemicals, Railroad and Utility Products and Services, and Performance Chemicals. The Company’s reportable segments contain business units that are aggregated since management believes the long-term financial performance of these business units is affected by similar economic conditions. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes.

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

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

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

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

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

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| *(Dollars in millions)* | | | | |
| Revenues from external customers: | | | | |
| Carbon Materials and Chemicals | $ 158.4 | $ 208.6 | $ 316.6 | $ 411.2 |
| Railroad and Utility Products and Services | 170.9 | 148.2 | 329.0 | 277.0 |
| Performance Chemicals | 102.3 | 0.0 | 183.8 | 0.0 |
| Total | $ 431.6 | $ 356.8 | $ 829.4 | $ 688.2 |
| Intersegment revenues: | | | | |
| Carbon Materials and Chemicals | $ 20.0 | $ 20.1 | $ 40.5 | $ 41.3 |
| Performance Chemicals | 2.2 | 0.0 | 4.3 | 0.0 |
| Total | $ 22.2 | $ 20.1 | $ 44.8 | $ 41.3 |
| Depreciation and amortization expense: | | | | |
| Carbon Materials and Chemicals[(a)] | $ 6.5 | $ 6.0 | $ 12.7 | $ 12.1 |
| Railroad and Utility Products and Services[(b)] | 6.4 | 3.7 | 10.5 | 6.5 |
| Performance Chemicals | 4.8 | 0.0 | 9.5 | 0.0 |
| Total | $ 17.7 | $ 9.7 | $ 32.7 | $ 18.6 |
| Operating profit (loss): | | | | |
| Carbon Materials and Chemicals[(c)] | $ (2.9) | $ 3.8 | $ (13.8) | $ (5.0) |
| Railroad and Utility Products and Services[(d)] | 15.0 | 12.8 | 30.4 | 23.9 |
| Performance Chemicals | 15.5 | 0.0 | 21.9 | 0.0 |
| Corporate[(e)] | (1.6) | (3.3) | (4.5) | (5.1) |
| Total | $ 26.0 | $ 13.3 | $ 34.0 | $ 13.8 |

*(a) Excludes impairment charges of $4.7 million for the six months ended June 30, 2014 for the Tangshan, China facility.*
*(b) Excludes impairment charges of $2.5 million for the six months ended June 30, 2015 for a wood treating facility in the United States.*
*(c) Includes plant closure costs of $10.8 million for the six months ended June 30, 2014 for the Uithoorn, the Netherlands facility and impairment charges of $4.7 million for the six months ended June 30, 2014 for the Tangshan, China facility.*
*(d) Includes gain on sale of the Company’s North American utility pole business of $3.2 million and impairment charges of $2.5 million for a wood treating facility in the United States in the six months ended June 30, 2015.*

(e) *Operating loss for Corporate includes general and administrative costs for Koppers Holdings Inc., the parent company of Koppers Inc., and foreign exchange revaluation related to intercompany loans in connection with a legal reorganization of the Company.*

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

| *(Dollars in millions)* | *June 30, 2015* | *December 31, 2014* |
|---|---|---|
| Segment assets: | | |
| Carbon Materials and Chemicals | $ 505.0 | $ 514.6 |
| Railroad and Utility Products and Services | 267.7 | 275.2 |
| Performance Chemicals | 479.3 | 469.0 |
| All other | 38.1 | 35.1 |
| Total | $ 1,290.1 | $ 1,293.9 |
| Goodwill: | | |
| Carbon Materials and Chemicals | $ 68.3 | $ 65.5 |
| Railroad and Utility Products and Services | 10.3 | 9.3 |
| Performance Chemicals | 178.0 | 172.4 |
| Total | $ 256.6 | $ 247.2 |

## 10. Income Taxes

*Effective Tax Rate*

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

Income taxes as a percentage of pretax ordinary income were 30.8 percent and 65.0 percent for each of the three months ended on June 30, 2015 and 2014, respectively. Discrete items included in income taxes for the three months ended on June 30, 2015 and June 30, 2014, respectively, were not material.

The effective tax rate for the three months ended on June 30, 2015 differs from the U.S. federal statutory rate of 35.0 percent due to the taxes on foreign earnings (-7.3 percent) partially offset by nondeductible expenses (+1.1 percent), uncertain tax positions (+1.0 percent), and state taxes (+1.0 percent). With respect to the three months ended on June 30, 2014, the effective tax rate differs from the U.S. federal statutory rate of 35.0 percent due to taxes on foreign earnings (+28.2 percent), state taxes (+2.0 percent), uncertain tax positions (+1.2 percent) and nondeductible expenses (+1.0 percent) partially offset by the domestic manufacturing deduction (-2.4 percent).

Income taxes as a percentage of pretax ordinary income before discrete items were 30.8 percent and 64.3 percent for the six months ended on June 30, 2015 and 2014, respectively. Discrete items included in income taxes for the six months ended on June 30, 2015 were a net tax benefit of $0.3 million which was primarily related to the closure of an IRS audit of the Company's US tax returns through 2011. Discrete items included in income taxes for the six months ended on June 30, 2014 were a net tax benefit of $5.7 million which was primarily related to management's decision that a deferred tax liability for certain undistributed earnings of its European subsidiaries was no longer necessary as these earnings are permanently reinvested.

The effective tax rate for the six months ended on June 30, 2015 differs from the U.S. federal statutory rate of 35.0 percent due to the taxes on foreign earnings (-7.4 percent) partially offset by nondeductible expenses (+1.1 percent), state taxes (+1.1 percent), and uncertain tax positions (+1.0 percent). With respect to the six months ended on June 30 2014, the effective tax rate differs from the U.S. federal statutory rate of 35.0 percent primarily due to the taxes on foreign earnings (+27.6 percent), state taxes (+1.8 percent), uncertain tax positions (+1.2 percent) and nondeductible expenses (+1.0 percent) partially offset by the domestic manufacturing deduction (-2.3 percent).

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

*Uncertain Tax Positions*

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010.

As of June 30, 2015 and December 31, 2014, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately $5.5 million and $6.0 million, respectively. Unrecognized tax benefits totaled $6.9 million and $7.2 million as of June 30, 2015 and December 31, 2014, respectively. The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of June 30, 2015 and December 31, 2014 the Company had accrued approximately $2.7 million and $2.7 million for interest and penalties, respectively.

11. Inventories

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

| | *June 30, 2015* | *December 31, 2014* |
|---|---|---|
| *(Dollars in millions)* | | |
| Raw materials | $166.6 | $ 191.1 |
| Work in process | 16.1 | 2.6 |
| Finished goods | 98.2 | 103.6 |
| | 280.9 | 297.3 |
| Less revaluation to LIFO | 57.5 | 56.1 |
| Net | $223.4 | $ 241.2 |

12. Property, Plant and Equipment

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

| | *June 30, 2015* | *December 31, 2014* |
|---|---|---|
| *(Dollars in millions)* | | |
| Land | $ 18.1 | $ 18.7 |
| Buildings | 41.7 | 45.3 |
| Machinery and equipment | 698.7 | 678.6 |
| | 758.5 | 742.6 |
| Less accumulated depreciation | 466.6 | 442.9 |
| Net | $291.9 | $ 299.7 |

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

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

## 13. Pensions and Postretirement Benefit Plans

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

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

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

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

| | *Three Months Ended June 30,* | | *Six Months Ended June 30,* | |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| *(Dollars in millions)* | | | | |
| Service cost | $ 0.5 | $ 0.6 | $ 1.0 | $ 1.2 |
| Interest cost | 2.6 | 3.1 | 5.4 | 6.0 |
| Expected return on plan assets | (3.0) | (3.5) | (6.0) | (7.0) |
| Amortization of prior service cost | 0.0 | (0.1) | (0.1) | (0.1) |
| Amortization of net loss | 1.7 | 1.0 | 3.3 | 2.0 |
| Net periodic benefit cost | $ 1.8 | $ 1.1 | $ 3.6 | $ 2.1 |
| Defined contribution plan expense[(a)] | $ 2.0 | $ 1.5 | $ 2.0 | $ 3.2 |

*(a) The six months ended June 30, 2015 includes reversal of 2014 discretionary 401k match accrual of $2.2 million.*

## 14. Debt

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

| | *Weighted Average Interest Rate* | *Maturity* | *June 30, 2015* | *December 31, 2014* |
|---|---|---|---|---|
| *(Dollars in millions)* | | | | |
| Term Loan | 3 3/4% | 2019 | $277.5 | $ 292.5 |
| Revolving Credit Facility | 3 3/4% | 2019 | 161.3 | 204.5 |
| Construction and other loans | 5.81% | 2018 | 58.1 | 56.5 |
| Senior Notes | 7 7/8% | 2019 | 297.3 | 297.0 |
| Total debt | | | 794.2 | 850.5 |
| Less short term debt and current maturities of long-term debt | | | 45.4 | 43.9 |
| Long-term debt | | | $748.8 | $ 806.6 |

*Revolving Credit Facility*

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

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

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

As of June 30, 2015, the Company had $80.2 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments and other covenants. As of June 30, 2015, $61.6 million of commitments were utilized by outstanding letters of credit.

*Construction Loans*

On November 18, 2013, the Company's 75-percent owned subsidiary, Koppers (Jiangsu) Carbon Chemical Company Limited ("KJCC") entered into two committed loan facility agreements for a combined commitment of RMB 265 million or approximately $44 million. The third party bank provided facility has a commitment amount of RMB 198.8 million and the other committed facility of RMB 66.2 million is provided by the 25-percent non-controlling shareholder in KJCC. Borrowings under the third party bank facility are secured by a letter of credit issued by a bank under Koppers Inc. revolving credit facility. The committed facilities were used to finance the costs related to the construction of the coal tar distillation plant in Pizhou, Jiangsu province in China. The facilities are variable rate and have certain financial covenants that monitor minimum net worth and leverage. KJCC will repay the loans in six installments every six months starting in May 2016 with a final repayment on November 18, 2018, the maturity date of the loans.

*Senior Notes*

The Koppers Inc. $7^7/_8$ percent Senior Notes due 2019 (the "Senior Notes") were issued on December 1, 2009 at an offering price of 98.311 percent of face value, or $294.9 million and have a principal amount at maturity of $300.0 million. The Senior Notes have an effective interest rate yield of $8\ ^1/_8$ percent per annum. The Senior Notes are our senior obligations, are fully and unconditionally guaranteed by Koppers Holdings Inc. and certain of our wholly-owned domestic subsidiaries, and, as of August 15, 2014, are secured equally and ratably with the obligations under our Senior Secured Credit Facilities.

Interest on the Senior Notes is payable semiannually on December 1 and June 1 each year. On or after December 1, 2014, the Company is entitled to redeem all or a portion of the Senior Notes at a redemption price of 103.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value on December 1, 2017.

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

## 15. Asset Retirement Obligations

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

| *(Dollars in millions)* | *June 30, 2015* | *December 31, 2014* |
|---|---|---|
| Asset retirement obligation at beginning of year | $ 30.5 | $ 23.2 |
| Acquisition | 0.8 | 0.0 |
| Accretion expense | 1.5 | 2.3 |
| Revision in estimated cash flows | 3.3 | 10.3 |
| Cash expenditures | (3.5) | (4.6) |
| Currency translation | (0.4) | (0.7) |
| Balance at end of period | $ 32.2 | $ 30.5 |

## 16. Deferred Revenue

The Company defers revenues associated with extended product warranty liabilities based on historical loss experience and sales of extended warranties on certain products. In addition, the Company received an advance payment in 2015 related to an amendment to a 50-year supply agreement with a customer in China. The deferred revenue associated with this amendment will be amortized over the life of the underlying contract. The following table reflects changes in the carrying values of deferred revenue:

| *(Dollars in millions)* | *June 30, 2015* | *December 31, 2014* |
|---|---|---|
| Balance at beginning of year | $ 2.5 | $ 3.2 |
| Advance payment | 29.6 | 0.0 |
| Revenue earned | (0.2) | (0.7) |
| Balance at end of period | $ 31.9 | $ 2.5 |

Deferred revenue classified in other long-term liabilities in the consolidated balance sheet totaled $30.7 million as of June 30, 2015.

## 17. Derivative Financial Instruments

The Company utilizes derivative instruments to manage exposures to risks that have been identified and measured and are capable of being controlled. The primary risks managed by the company by using derivative instruments are commodity price risk associated with copper and foreign currency exchange risk associated with a number of currencies, principally the U.S. dollar, the Canadian dollar, the New Zealand dollar, the Euro and British pounds. Swap contracts on copper are used to manage the price risk associated with forecasted purchases of materials used in the Company’s manufacturing processes. Generally, the Company will not hedge cash flow exposures for durations longer than 30 months. The Company enters into foreign currency forward contracts to manage foreign currency risk associated with the Company’s receivable and payable balances. Generally, the Company enters into master netting arrangements with the counterparties and offsets net derivative positions with the same counterparties. Currently, the Company’s agreements do not require cash collateral.

ASC Topic 815-10, “Derivatives and Hedging,” requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. Derivative instruments’ fair value is determined using significant other observable inputs, or Level 2 in the fair value hierarchy. In accordance with ASC Topic 815-10, the Company designates commodity swaps as cash flow hedges of forecasted purchases of commodities. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive (loss) income and is reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The amount of hedge ineffectiveness charged to profit and loss is not material for any period presented.

As of June 30, 2015, the Company has outstanding copper swap contracts totaling 18.2 million pounds and the fair value of these swap contracts was $(7.2) million which is classified in accrued liabilities in the consolidated balance sheet. The amount of loss recognized in other comprehensive loss totaled $4.3 million, net of tax, at June 30, 2015. In the next twelve months the Company estimates that $3.3 million of unrealized losses, net of tax, related to commodity price hedging will be reclassified from other comprehensive loss into earnings.

Forward contracts related to foreign currency are not designated as hedges and fair value changes in these contracts are immediately charged to earnings and are classified in cost of sales in the condensed consolidated statement of income. As of June 30, 2015, the Company has outstanding foreign currency forward contracts with a net fair value totaling $1.3 million, consisting of a gross derivative asset of $3.5 million and a gross derivative liability of $2.2 million. The currency units outstanding at June 30, 2015 were British Pound of GBP 42.4 million, New Zealand Dollar of NZD 40.1 million, Canadian Dollar of CAD 15.8 million and United States Dollar of USD 88.1 million.

## 18. Commitments and Contingent Liabilities

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

*Legal Proceedings*

***Coal Tar Pitch Cases****.* Koppers Inc., along with other defendants, is currently a defendant in lawsuits filed in two states in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to coal tar pitch sold by the defendants. There were 112 plaintiffs in 60 cases pending as of June 30, 2015 and December 31, 2014. As of June 30, 2015, there are a total of 59 cases pending in state court in Pennsylvania, and one case pending in state court in Tennessee. Koppers Inc. has been dismissed from three cases formerly pending in state court in Arkansas.

The plaintiffs in all 60 pending cases seek to recover compensatory damages, while plaintiffs in 55 cases also seek to recover punitive damages. The plaintiffs in the 59 cases filed in Pennsylvania state court seek unspecified damages in excess of the court’s minimum jurisdictional limit. The plaintiffs in the Tennessee state court case each seek damages of $15.0 million. The other defendants in these lawsuits vary from case to case and include companies such as Beazer East, Inc., United States Steel Corporation, Honeywell International Inc., Vertellus Specialties Inc., Dow Chemical Company, UCAR Carbon Company, Inc., Exxon Mobil Corporation, SGL Carbon Corporation and Alcoa, Inc. Discovery is proceeding in these cases. No trial dates have been set in any of these cases.

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

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

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

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

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.

***Virgin Islands***. Koppers Performance Chemicals Inc. ("KPC") is currently a defendant in a putative class action lawsuit filed in the United States District Court of the Virgin Islands. The plaintiffs claim, on behalf of themselves and others similarly situated, that KPC's wood preservative products and formulas are defective, and the complaint alleges the following causes of action: breach of contract, negligence, strict liability, fraud and violation of Virgin Islands Consumer Fraud and Deceptive Business Practices statute. The putative class is defined as all users (residential or commercial) of wood products treated with KPC wood preserving products in the United States who purchased such wood products from January 1, 2004 to the present. Alternatively, plaintiffs allege that the putative class should be all persons and entities that have owned or acquired buildings or other structures physically located in the U.S. Virgin Islands that contain wood products treated with KPC wood preserving products from January 1, 2004 to the present. The complaint alleges plaintiffs are entitled to unspecified "economic and compensatory damages", punitive damages, costs and disgorgement of profits. The complaint further requests a declaratory judgment and injunction to establish an inspection and disposal program for class members' structures. The lawsuit was filed on July 16, 2014, and KPC has filed a motion to dismiss. Plaintiffs have responded to the motion and KPC has filed a reply. The motion has been fully briefed and the parties are awaiting a ruling by the court. 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"). In 1998, the parent company of Beazer East purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by Koppers Inc.) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re. Beazer East is a wholly-owned, indirect subsidiary of Heidelberg Cement AG.

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

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

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

To date, the parties that retained, assumed and/or agreed to indemnify the Company against the liabilities referred to above, including Beazer East, have performed their obligations in all material respects. The Company believes that, for the last three years ended December 31, 2014, amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately $13 million per year. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. Koppers Inc. and Beazer East engage in discussions from time to time that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

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

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

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

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

Other than the estimated costs of participating in the PRP group at the Portland Harbor and Newark Bay CERCLA sites totaling $0.6 million at June 30, 2015, the Company has not provided a reserve for these matters because there has not been a determination of the total cost of the investigations, the remediation that will be required, the amount of natural resources damages or how those costs will be allocated among the PRPs. Accordingly, the Company believes that it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. An unfavorable resolution of these matters may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

In connection with Koppers Inc.'s acquisition of the Osmose Entities, there are two plant sites in the United States where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. Osmose Holdings, Inc. has provided an indemnity of up to $5 million for certain environmental response costs incurred prior to August 15, 2017 (the "Osmose Indemnity"). As of June 30, 2015, the Company's estimated environmental remediation liability for these acquired sites totals $5.8 million. The Company has also recorded a receivable under the Osmose Indemnity of $0.3 million related to these acquired sites.

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

***Foreign Environmental Matters.*** Soil and groundwater contamination has been detected at certain of the Company's Australian facilities. At the Company's tar distillation facility in Newcastle, New South Wales, Australia, soil contamination from an abandoned underground coal tar pipeline and other groundwater contamination have been detected at a property adjacent to the facility. In 2011, the Company and the owner of the adjacent property reached an agreement in which the Company will contribute $1.6 million and the owner of the adjacent property will contribute $7.5 million toward remediation of the property. The agreement provides that the Company will assume responsibility for the management of the remediation effort and will indemnify the current owner for any remediation costs in excess of its agreed contribution. At the completion of the remediation, the agreement provides that the property will be transferred to the Company. The remediation project commenced in 2011 and the Company has reserved its expected remaining remediation costs of $0.7 million as of June 30, 2015.

In connection with Koppers Inc.'s acquisition of the Osmose Entities, there are three plant sites located in the United Kingdom and Australia where the Company has recorded an environmental remediation liability for soil and groundwater contamination which occurred prior to the acquisition. As of June 30, 2015, the Company's estimated environmental remediation liability for these acquired sites totals $8.5 million. The Company has also recorded a receivable under the Osmose Indemnity of $1.6 million related to these acquired sites.

In December 2011, the Company ceased manufacturing operations at its Continental Carbon facility located in Kurnell, Australia. The Company has accrued its expected cost of site remediation resulting from the closure of $3.9 million as of June 30, 2015.

***Environmental Reserves Rollforward***. The following table reflects changes in the accrued liability for environmental matters, of which $7.8 million and $3.3 million are classified as current liabilities at June 30, 2015 and December 31, 2014, respectively:

| | Period ended | |
|---|---|---|
| *(Dollars in millions)* | *June 30, 2015* | *December 31, 2014* |
| Balance at beginning of year | $ 7.8 | $ 11.9 |
| Expense | 0.3 | 0.8 |
| Reversal of reserves | (0.1) | (1.5) |
| Cash expenditures | (0.5) | (3.7) |
| Acquisition of Osmose Entities | 13.6 | 0.7 |
| Currency translation | (0.3) | (0.4) |
| Balance at end of period | $ 20.8 | $ 7.8 |

19. Subsidiary Guarantor Information for Koppers Inc. Senior Notes

On December 1, 2009, Koppers Inc. issued $300.0 million principal value of Senior Notes. Koppers Holdings and each of Koppers Inc.'s 100 percent-owned material domestic subsidiaries other than Koppers Assurance, Inc. fully and unconditionally guarantee the payment of principal and interest on the Senior Notes. The domestic guarantor subsidiaries include Koppers World-Wide Ventures Corporation, Koppers Delaware, Inc., Koppers Concrete Products, Inc., Concrete Partners, Inc., and Koppers Asia LLC. Non-guarantor subsidiaries are owned directly by Koppers Inc. or are owned directly or indirectly by Koppers World-Wide Ventures Corporation.

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

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

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

The Koppers Inc. revolving credit facility agreement provides for a revolving credit facility of up to $500.0 million and a term loan of up to $300 million at variable rates. Borrowings under the revolving credit facility are secured by a first priority lien on substantially all of the assets of Koppers Inc. and its material domestic subsidiaries. The revolving credit facility contains certain covenants for Koppers Inc. and its restricted subsidiaries that limit capital expenditures, additional indebtedness, liens, dividends and investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. and its restricted subsidiaries to meet certain financial ratios.

The amount of restricted net assets unavailable for distribution to Koppers Holdings Inc. by Koppers Inc. totals $37 million as of June 30, 2015. Cash dividends paid to Koppers Holdings Inc. by its subsidiaries totaled $5.8 million and $12.6 million for the six months ended June 30, 2015 and 2014, respectively.

Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2015

| (Dollars in millions) | Parent | Koppers Inc. | Domestic Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| Net sales | $ 0.0 | $ 209.2 | $ 97.0 | $ 153.2 | $ (27.8) | $ 431.6 |
| Cost of sales including depreciation and amortization | 0.0 | 201.0 | 71.6 | 129.1 | (27.2) | 374.5 |
| Selling, general and administrative | 0.6 | 10.4 | 9.6 | 10.5 | 0.0 | 31.1 |
| Operating (loss) profit | (0.6) | (2.2) | 15.8 | 13.6 | (0.6) | 26.0 |
| Other income (expense) | 0.0 | 2.9 | 1.0 | (3.1) | (0.6) | 0.2 |
| Equity income of subsidiaries | 9.1 | 22.3 | 5.5 | 0.0 | (36.9) | 0.0 |
| Interest (income) expense | (0.1) | 11.5 | (0.1) | 2.2 | (0.6) | 12.9 |
| Income taxes | (0.4) | 2.4 | 0.2 | 3.2 | 0.0 | 5.4 |
| Income from continuing operations | 9.0 | 9.1 | 22.2 | 5.1 | (37.5) | 7.9 |
| Noncontrolling interests | 0.0 | 0.0 | 0.0 | (1.1) | 0.0 | (1.1) |
| Net income attributable to Koppers | $ 9.0 | $ 9.1 | $ 22.2 | $ 6.2 | $ (37.5) | $ 9.0 |
| Comprehensive loss attributable to Koppers | $12.4 | $ 12.3 | $ 24.9 | $ 9.0 | $ (46.2) | $ 12.4 |

Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2014

| (Dollars in millions) | Parent | Koppers Inc. | Domestic Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| Net sales | $ 0.0 | $ 202.4 | $ 7.2 | $ 157.5 | $ (10.3) | $ 356.8 |
| Cost of sales including depreciation and amortization | 0.0 | 184.0 | 2.3 | 145.8 | (10.5) | 321.6 |
| Selling, general and administrative | 0.5 | 14.3 | 0.3 | 6.8 | 0.0 | 21.9 |
| Operating (loss) profit | (0.5) | 4.1 | 4.6 | 4.9 | 0.2 | 13.3 |
| Other income (expense) | 0.0 | 0.1 | 0.9 | (0.2) | (1.1) | (0.3) |
| Equity income of subsidiaries | 2.0 | 7.3 | 1.2 | 0.0 | (10.5) | 0.0 |
| Interest expense | 0.0 | 6.5 | 0.0 | 1.2 | (1.1) | 6.6 |
| Income taxes | (0.1) | 2.9 | 0.1 | 2.7 | 0.0 | 5.6 |
| Income from continuing operations | 1.6 | 2.1 | 6.6 | 0.8 | (10.3) | 0.8 |
| Discontinued operations | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.1) |
| Noncontrolling interests | 0.0 | 0.0 | 0.0 | (0.9) | 0.0 | (0.9) |
| Net income attributable to Koppers | $ 1.6 | $ 2.1 | $ 6.6 | $ 1.6 | $ (10.3) | $ 1.6 |
| Comprehensive income attributable to Koppers | $ 4.1 | $ 4.5 | $ 8.7 | $ 0.8 | $ (14.0) | $ 4.1 |

Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2015

| (Dollars in millions) | Parent | Koppers Inc. | Domestic Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| Net sales | $ 0.0 | $ 397.0 | $ 171.7 | $ 309.2 | $ (48.5) | $ 829.4 |
| Cost of sales including depreciation and amortization | 0.0 | 385.6 | 131.6 | 265.1 | (46.6) | 735.7 |
| Gain on sale of business | 0.0 | (3.2) | 0.0 | 0.0 | 0.0 | (3.2) |
| Selling, general and administrative | 1.1 | 22.2 | 18.6 | 21.0 | 0.0 | 62.9 |
| Operating (loss) profit | (1.1) | (7.6) | 21.5 | 23.1 | (1.9) | 34.0 |
| Other income (expense) | 0.0 | 3.1 | 2.0 | (3.6) | (1.1) | 0.4 |
| Equity income of subsidiaries | 6.1 | 31.9 | 9.7 | 0.0 | (47.7) | 0.0 |
| Interest expense | 0.0 | 23.1 | 0.0 | 3.9 | (1.1) | 25.9 |
| Income taxes | (0.6) | (1.8) | 0.3 | 6.9 | 0.0 | 4.8 |
| Income from continuing operations | 5.6 | 6.1 | 32.9 | 8.7 | (49.6) | 3.7 |
| Noncontrolling interests | 0.0 | 0.0 | 0.0 | (1.9) | 0.0 | (1.9) |
| Net income attributable to Koppers | $ 5.6 | $ 6.1 | $ 32.9 | $ 10.6 | $ (49.6) | $ 5.6 |
| Comprehensive (loss) income attributable to Koppers | $(1.2) | $ (0.8) | $ 24.6 | $ 4.6 | $ (28.4) | $ (1.2) |

Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2014

| (Dollars in millions) | Parent | Koppers Inc. | Domestic Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| Net sales | $ 0.0 | $ 380.0 | $ 17.9 | $ 311.4 | $ (21.1) | $ 688.2 |
| Cost of sales including depreciation and amortization | 0.0 | 344.9 | 9.2 | 298.3 | (21.3) | 631.1 |
| Selling, general and administrative | 1.0 | 27.8 | 0.6 | 13.9 | 0.0 | 43.3 |
| Operating (loss) profit | (1.0) | 7.3 | 8.1 | (0.8) | 0.2 | 13.8 |
| Other income (expense) | 0.0 | 0.1 | 1.8 | 0.1 | (2.1) | (0.1) |
| Equity income (loss) of subsidiaries | 4.5 | 9.6 | (7.0) | 0.0 | (7.1) | 0.0 |
| Interest expense | 0.0 | 13.3 | 0.0 | 2.2 | (2.1) | 13.4 |
| Income taxes | (0.3) | (0.8) | (5.9) | 6.6 | 0.0 | (0.4) |
| Income (loss) from continuing operations | 3.8 | 4.5 | 8.8 | (9.5) | (6.9) | 0.7 |
| Discontinued operations | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.1) |
| Noncontrolling interests | 0.0 | 0.0 | 0.0 | (3.2) | 0.0 | (3.2) |
| Net income (loss) attributable to Koppers | $ 3.8 | $ 4.5 | $ 8.8 | $ (6.4) | $ (6.9) | $ 3.8 |
| Comprehensive income attributable to Koppers | $ 9.4 | $ 10.1 | $ 13.6 | $ 1.0 | $ (24.7) | $ 9.4 |

Condensed Consolidating Balance Sheet
June 30, 2015

| *(Dollars in millions)* | *Parent* | *Koppers Inc.* | *Domestic Guarantor Subsidiaries* | *Non-Guarantor Subsidiaries* | *Consolidating Adjustments* | *Consolidated* |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 0.0 | $ 0.3 | $ 0.5 | $ 50.4 | $ 0.0 | $ 51.2 |
| Receivables, net | 0.0 | 83.3 | 35.3 | 88.0 | 0.0 | 206.6 |
| Affiliated receivables | 0.0 | 15.1 | 10.7 | 18.5 | (44.3) | 0.0 |
| Inventories, net | 0.0 | 98.8 | 27.3 | 100.0 | (2.7) | 223.4 |
| Deferred tax assets | 0.0 | 10.1 | (0.6) | 4.1 | 0.0 | 13.6 |
| Other current assets | 0.0 | 4.9 | 4.1 | 34.4 | 0.0 | 43.4 |
| Total current assets | 0.0 | 212.5 | 77.3 | 295.4 | (47.0) | 538.2 |
| Equity investments | 69.9 | 792.6 | 215.1 | 2.4 | (1,076.1) | 3.9 |
| Property, plant and equipment, net | 0.0 | 120.4 | 42.6 | 128.9 | 0.0 | 291.9 |
| Goodwill | 0.0 | 43.9 | 152.9 | 59.8 | 0.0 | 256.6 |
| Intangible assets, net | 0.0 | 9.4 | 122.7 | 33.1 | 0.0 | 165.2 |
| Deferred tax assets | 0.0 | (3.4) | 5.1 | 6.6 | 0.0 | 8.3 |
| Affiliated loan receivables | 0.0 | 30.9 | 237.6 | 42.0 | (310.5) | 0.0 |
| Other noncurrent assets | 0.0 | 19.1 | 5.0 | 1.9 | 0.0 | 26.0 |
| Total assets | $69.9 | $ 1,225.4 | $ 858.3 | $ 570.1 | $ (1,433.6) | $ 1,290.1 |
| LIABILITIES AND EQUITY | | | | | | |
| Accounts payable | $ 0.1 | $ 77.7 | $ 28.1 | $ 64.9 | $ 0.0 | $ 170.8 |
| Affiliated payables | 0.0 | 28.4 | 8.2 | 15.1 | (51.7) | 0.0 |
| Accrued liabilities | (0.6) | 33.8 | 20.5 | 41.6 | 0.0 | 95.3 |
| Short-term debt and current portion of long-term debt | 0.0 | 30.3 | 0.0 | 15.1 | 0.0 | 45.4 |
| Total current liabilities | (0.5) | 170.2 | 56.8 | 136.7 | (51.7) | 311.5 |
| Long-term debt | 0.0 | 706.1 | 0.0 | 42.7 | 0.0 | 748.8 |
| Affiliated debt | 0.0 | 209.6 | 30.8 | 70.1 | (310.5) | 0.0 |
| Other long-term liabilities | 0.0 | 68.2 | 13.0 | 69.7 | 0.0 | 150.9 |
| Total liabilities | (0.5) | 1,154.1 | 100.6 | 319.2 | (362.2) | 1,211.2 |
| Koppers shareholders' equity | 70.4 | 71.3 | 757.7 | 242.4 | (1,071.4) | 70.4 |
| Noncontrolling interests | 0.0 | 0.0 | 0.0 | 8.5 | 0.0 | 8.5 |
| Total liabilities and equity | $69.9 | $ 1,225.4 | $ 858.3 | $ 570.1 | $ (1,433.6) | $ 1,290.1 |

Condensed Consolidating Balance Sheet
December 31, 2014

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

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2015

| *(Dollars in millions)* | *Parent* | *Koppers Inc.* | *Domestic Guarantor Subsidiaries* | *Non-Guarantor Subsidiaries* | *Consolidating Adjustments* | *Consolidated* |
|---|---|---|---|---|---|---|
| Cash provided by (used in) operating activities | $ 5.4 | $ 10.6 | $ 32.2 | $ 38.8 | $ (8.9) | $ 78.1 |
| Cash provided by (used in) investing activities: | | | | | | |
| Capital expenditures and acquisitions | 0.0 | (26.9) | (3.1) | (2.6) | 0.0 | (32.6) |
| Repayments (loans to) from affiliates | 0.0 | 5.1 | (21.4) | (1.1) | 17.4 | 0.0 |
| Net cash proceeds (payments) from divestitures and asset sales | 0.0 | 12.2 | 0.0 | 0.3 | 0.0 | 12.5 |
| Net cash (used in) provided by investing activities | 0.0 | (9.6) | (24.5) | (3.4) | 17.4 | (20.1) |
| Cash provided by (used in) financing activities: | | | | | | |
| (Repayments) borrowings of long-term debt | 0.0 | (57.9) | 0.1 | 1.2 | 0.0 | (56.6) |
| Borrowings (repayments) of affiliated debt | 0.0 | 64.0 | (5.1) | (41.5) | (17.4) | 0.0 |
| Deferred financing costs | 0.0 | (1.0) | 0.0 | 0.0 | 0.0 | (1.0) |
| Other financing activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | (5.1) | (5.8) | (3.1) | (3.6) | 8.9 | (8.7) |
| Stock repurchased | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) |
| Net cash used in financing activities | (5.4) | (0.7) | (8.1) | (43.9) | (8.5) | (66.6) |
| Effect of exchange rates on cash | 0.0 | 0.0 | 0.0 | 8.7 | 0.0 | 8.7 |
| Net increase (decrease) in cash and cash equivalents | 0.0 | 0.3 | (0.4) | 0.2 | 0.0 | 0.1 |
| Cash and cash equivalents at beginning of year | 0.0 | 0.0 | 0.9 | 50.2 | 0.0 | 51.1 |
| Cash and cash equivalents at end of period | $ 0.0 | $ 0.3 | $ 0.5 | $ 50.4 | $ 0.0 | $ 51.2 |

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2014

| *(Dollars in millions)* | *Parent* | *Koppers Inc.* | *Domestic Guarantor Subsidiaries* | *Non-Guarantor Subsidiaries* | *Consolidating Adjustments* | *Consolidated* |
|---|---|---|---|---|---|---|
| Cash provided by (used in) operating activities | $ 11.5 | $ (19.0) | $ 17.1 | $ 3.2 | $ (21.5) | $ (8.7) |
| Cash provided by (used in) investing activities: | | | | | | |
| Capital expenditures and acquisitions | 0.0 | (7.8) | (15.0) | (57.2) | 14.8 | (65.2) |
| (Loans to) repayments from affiliates | 0.0 | (21.5) | (23.7) | 0.0 | 45.2 | 0.0 |
| Net cash (used in) provided by investing activities | 0.0 | (29.3) | (38.7) | (57.2) | 60.0 | (65.2) |
| Cash provided by (used in) financing activities: | | | | | | |
| Borrowings (repayments) of long-term debt | 0.0 | 24.3 | 0.0 | 31.2 | 0.0 | 55.5 |
| Borrowings (repayments) of affiliated debt | 0.0 | 6.7 | 21.5 | 17.0 | (45.2) | 0.0 |
| Other financing activities | 0.0 | 0.0 | 0.0 | 1.4 | 0.0 | 1.4 |
| Dividends paid | (10.2) | (12.6) | 0.0 | (8.9) | 21.5 | (10.2) |
| Stock (repurchased) issued | (1.3) | 0.0 | 0.0 | 14.8 | (14.8) | (1.3) |
| Net cash (used in) provided by financing activities | (11.5) | 18.4 | 21.5 | 55.5 | (38.5) | 45.4 |
| Effect of exchange rates on cash | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | 0.7 |
| Net (decrease) increase in cash and cash equivalents | 0.0 | (29.9) | (0.1) | 2.2 | 0.0 | (27.8) |
| Cash and cash equivalents at beginning of year | 0.0 | 29.9 | 0.1 | 52.2 | 0.0 | 82.2 |
| Cash and cash equivalents at end of period | $ 0.0 | $ 0.0 | $ 0.0 | $ 54.4 | $ 0.0 | $ 54.4 |

## 20. Related Party Transactions

The Company has loaned $9.5 million to TKK, a 30-percent owned company in China. The loan is repayable in six equal installments beginning in June 2015. TKK defaulted on the first installment payment of $1.6 million due in June 2015 and, accordingly, the entire principal amount of the loan is currently due and payable. The Company has engaged in negotiations with TKK's controlling shareholder regarding repayment of the loan in addition to the potential sale of the Company's 30-percent interest in TKK. As of June 30, 2015, management has concluded that it is probable that the full principal amount of the loan remains collectible and the carrying value of $2.0 million related to its equity investment is recoverable, and accordingly, no provision has been recorded.

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

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

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

### Overview

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

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

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

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

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

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

In March 2015 we announced our intention to discontinue production at our RUPS plant located in Green Spring, West Virginia. Accordingly, we recorded severance, fixed asset impairment and other restructuring charges of $2.7 million for the six months ended June 30, 2015.

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

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

The aggregate cash purchase price for the Osmose Entities was $494.1 million. The acquisition is expected to add more than $400 million of sales in 2015 at EBITDA margins that are expected to be above our target level of 12 percent. The financial results from these businesses for the first half of 2015 are consistent with our expectations.

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

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

## Outlook

### *Trend Overview*

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

The availability of coal tar is linked to levels of metallurgical coke production. As the global steel industry has reduced production of steel and metallurgical coke, the volumes of coal tar by-product were also reduced. Our ability to obtain coal tar and the price we are able to negotiate has a significant impact on the level of profitability of our CMC business. Many of our carbon pitch sales contracts include provisions that allow for price increases based on increases in the price of raw materials, which has allowed us to generally maintain profit dollars in that product segment of our CMC business. However, significant increases in raw material costs can result in margin dilution if only the increased cost of the raw material is passed on to the customer. Additionally, in certain regions such as China that have competing markets for coal tar, or in regions where the available supply of our products exceeds demand, we may not be able to recover raw material cost increases in the selling prices for our CMC end products.

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

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

As a result we have embarked on a plan to restructure our CMC operating footprint that we expect will eventually reduce the number of coal tar distillation facilities serving North America and Europe from the six that were in operation at the end of 2013 to three in total. The closure of the first facility occurred in April 2014 as we ceased distillation in Uithoorn, the Netherlands. The reduction in operating capacity resulted in charges to pre-tax earnings of $27.7 million in the year ended December 31, 2014. There are expected to 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 businesses.

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

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

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

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

*Seasonality and Effects of Weather on Operations*

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

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

*Consolidated Results*

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

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Net Change |
| (Dollars in millions) | | | |
| Carbon Materials and Chemicals | $ 158.4 | $ 208.6 | -24% |
| Railroad and Utility Products and Services | 170.9 | 148.2 | +15% |
| Performance Chemicals | 102.3 | 0.0 | N/A |
| | $ 431.6 | $ 356.8 | +21% |

**CMC net sales** decreased by $50.2 million or 24 percent compared to the prior year period due mainly to lower sales volumes for carbon pitch and carbon black feedstock combined with lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene which have been impacted by lower oil prices.

Lower carbon materials sales volumes decreased sales by five percent compared to the second quarter of 2014 as carbon pitch sales volumes for all geographic regions were lower.

Sales of distillates decreased sales by nine percent compared to the second quarter of 2014 driven by lower sales volumes for carbon black feedstock from Chinese operations combined with lower sales prices for carbon black feedstock due to lower oil prices.

Sales of coal tar chemicals declined by five percent compared to the prior year period due primarily to decreases in phthalic anhydride sales prices of 23 percent and lower naphthalene sales prices of 27 percent. Lower sales prices for phthalic anhydride and naphthalene were driven by lower oil prices.

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

**RUPS net sales** increased by $22.7 million or 15 percent compared to the prior year period. The sales increase was due primarily to higher sales volumes for railroad crossties combined with incremental sales of $14.8 million from the Osmose businesses that are a part of RUPS. The higher sales volumes for crossties were due to strong industry demand combined with inventory restocking by railroad customers who reduced inventory levels over the past couple years due to competitive market conditions for hardwood lumber.

**PC net sales** for the quarter ended June 30, 2015 were $102.3 million. This segment consists of the wood preservation business that was acquired from Osmose in August 2014. Sales for this business, which produces various copper-based wood preservatives used in decking, fencing and other residential, commercial, and agricultural applications, are driven primarily by residential remodeling and existing home sales. Operating results for PC for the first and fourth quarters are typically lower than results for the second and third quarters due to seasonality related to winter weather conditions.

**Cost of sales** as a percentage of net sales was 83 percent for the quarter ended June 30, 2015 compared to 87 percent in the prior year quarter due mainly to the acquisition of the higher margin PC business and higher gross margin for RUPS driven by higher sales volumes resulting in improved fixed cost absorption, which more than offset lower gross margin from CMC.

**Depreciation and amortization** for the quarter ended June 30, 2015 was $8.0 million higher when compared to the prior year period due mainly to depreciation and amortization for the PC business that was acquired in August 2014 combined with $3.1 million of accelerated depreciation and asset retirement obligation amortization related to the closure of our wood treating facility in Green Spring, West Virginia.

**Selling, general and administrative expenses** for the quarter ended June 30, 2015 were $9.2 million higher when compared to the prior year period due mainly to the PC business that was acquired in August 2014.

**Other income (loss)** for the quarter ended June 30, 2015 was $0.2 million compared to ($0.3) million in the prior year period as higher licensing royalties received by PC more than offset an increase in equity method losses for CMC related to our TKK facility in China.

**Interest expense** for the quarter ended June 30, 2015 was $6.3 million higher than the prior year period as a result of higher debt levels due to financing for the acquisition of the Osmose Entities in August 2014.

**Income taxes** for the three months ended June 30, 2015 were $0.2 million lower when compared to the prior year period due to the favorable impact of a lower effective tax rate almost fully offset by an increase in pre-tax earnings. The decrease in the effective tax rate on pretax ordinary income and before discrete items to 30.8 percent compared to 65.0 percent in the prior year quarter is attributed to the current year benefits from the legal entity tax restructuring project that was completed in December 2014 along with a decrease in the non-deductible expenses related to the closure of the Uithoorn facility. Discrete items included in income taxes for the three months ended June 30, 2015 and June 30, 2014, respectively, were not material.

***Segment Results***

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

| | *Three Months Ended June 30,* | | |
|---|---|---|---|
| *(Dollars in millions)* | *2015* | *2014* | *% Change* |
| Operating (loss) profit: | | | |
| Carbon Materials and Chemicals | $ (2.9) | $ 3.8 | -176% |
| Railroad and Utility Products and Services | 15.0 | 12.8 | +17% |
| Performance Chemicals | 15.5 | 0.0 | N/A |
| Corporate | (1.6) | (3.3) | -52% |
| | $ 26.0 | $ 13.3 | +95% |
| Operating (loss) profit as a percentage of net sales: | | | |
| Carbon Materials and Chemicals | (1.8)% | 1.8% | -3.6% |
| Railroad and Utility Products and Services | 8.8% | 8.6% | +0.2% |
| Performance Chemicals | 15.2% | 0.0% | N/A |
| | 6.0% | 3.7% | +2.3% |

**CMC operating profit** decreased by $6.7 million or 176 percent over the prior year period. Operating loss as a percentage of net sales for CMC amounted to 1.8 percent compared to operating profit as a percent of sales of 1.8 percent in the prior year quarter. Operating profit for the three months ended June 30, 2015 was negatively affected by lower sales prices for phthalic anhydride, naphthalene, and carbon black feedstock which were partially offset by lower raw material costs.

**RUPS operating profit** increased by $2.2 million or 17 percent compared to the prior year period. Operating profit as a percentage of net sales for RUPS increased to 8.8 percent from 8.6 percent in the prior year quarter. Operating profit for the three months ended June 30, 2015 was positively impacted by higher sales volumes for crossties driven by strong industry demand and inventory restocking by railroad customers and the contribution from the August 2014 acquisition of Koppers Railroad Structures.

**PC operating profit** for the three months ended June 30, 2015 amounted to $15.5 million or 15.2 percent of sales as profitability reflected normal seasonality for residential construction.

***Results of Operations – Comparison of Six Months Ended June 30, 2015 and 2014***

*Consolidated Results*

**Net sales** for the six months ended June 30, 2015 and 2014 are summarized by segment in the following table:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Net Change |
| (Dollars in millions) | | | |
| Carbon Materials and Chemicals | $ 316.6 | $ 411.2 | -23% |
| Railroad and Utility Products and Services | 329.0 | 277.0 | +19% |
| Performance Chemicals | 183.8 | 0.0 | N/A |
| | $ 829.4 | $ 688.2 | +21% |

**CMC net sales** decreased by $94.6 million or 23 percent compared to the prior year period due mainly to lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene which have been impacted by lower oil prices.

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

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

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

**RUPS net sales** increased by $52.0 million or 19 percent compared to the prior year period. The sales increase was due primarily to higher sales volumes for railroad crossties combined with incremental sales of $28.3 million from the Osmose businesses that are a part of RUPS. The higher sales volumes for crossties were due to strong industry demand combined with inventory restocking by railroad customers who reduced inventory levels over the past couple years due to competitive market conditions for hardwood lumber.

**PC net sales** for the period ended June 30, 2015 were $183.8 million. This segment consists of the wood preservation business that was acquired from Osmose in August 2014. Sales for this business, which produces various copper-based wood preservatives used in decking, fencing and other residential, commercial, and agricultural applications, are driven primarily by residential remodeling and existing home sales. Operating results for PC for the first and fourth quarters are typically lower than results for the second and third quarters due to seasonality related to winter weather conditions.

**Cost of sales** as a percentage of net sales was 84 percent for the quarter ended June 30, 2015 as compared to 87 percent for the six months ended June 30, 2014 due mainly to the acquisition of the higher margin PC business and higher gross margin for RUPS driven by higher sales volumes resulting in improved fixed cost absorption, which more than offset lower gross margin from CMC.

**Depreciation and amortization** for the six months ended June 30, 2015 was $14.1 million higher when compared to the prior year period due mainly to depreciation and amortization for the PC business that was acquired in August 2014 and $3.8 million of accelerated depreciation and asset retirement obligation amortization related to the closure of of a wood-treating facility.

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

**Impairment and restructuring charges** were $2.7 million for the six months ended June 30, 2015 as a result of the planned closure of our wood treating facility in Green Spring, West Virginia. The $15.5 million incurred for the six months ended June 30, 2014 was due to the closure of the Uithoorn facility for $10.8 million combined with impairment charges related to the KCCC facility of $4.7 million.

**Selling, general and administrative expenses** for the six months ended June 30, 2015 were $19.6 million higher when compared to the prior year period due mainly to the PC business that was acquired in August 2014. Additionally, $1.9 million of costs were incurred in the first six months of 2015 related to the North American CMC restructuring project.

**Other income (loss)** for the six months ended June 30, 2015 was $0.4 million compared to ($0.1) million in the prior year period as licensing royalties received by PC were more than offset by equity method losses for CMC related to our TKK facility in China.

**Interest expense** for the six months ended June 30, 2015 was $12.5 million higher than the prior year period as a result of higher debt levels due to financing for the acquisition of the Osmose Entities in August 2014.

**Income taxes** for the six months ended on June 30, 2015 were $5.2 million higher when compared to the prior year period due to an increase in pre-tax earnings and the net unfavorable impact of discrete tax items partially offset by a lower effective tax rate. The decrease in the effective tax rate on pretax ordinary income and before discrete items to 30.8 percent compared to 64.3 percent in the prior year period is attributed to the current year benefits from the legal entity tax restructuring project that was completed in December 2014 along with a decrease in the non-deductible expenses related to the closure of the Uithoorn facility. Discrete items included in income taxes for the six months ended on June 30, 2015 were a net tax benefit of $0.3 million which was primarily related to the closure of an IRS audit of the Company's US tax returns through 2011. Discrete items included in income taxes for the six months ended on June 30, 2014 were a net tax benefit of $5.7 million which was primarily related to management's decision that a deferred tax liability for certain undistributed earnings of its European subsidiaries was no longer necessary as these earnings are permanently reinvested.

***Segment Results***

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

| | Six Months Ended June 30, | | |
|---|---|---|---|
| *(Dollars in millions)* | *2015* | *2014* | *% Change* |
| Operating (loss) profit: | | | |
| Carbon Materials and Chemicals | $ (13.8) | $ (5.0) | -176% |
| Railroad and Utility Products and Services | 30.4 | 23.9 | +27% |
| Performance Chemicals | 21.9 | 0.0 | N/A |
| Corporate | (4.5) | (5.1) | -12% |
| | $ 34.0 | $ 13.8 | +146% |
| Operating (loss) profit as a percentage of net sales: | | | |
| Carbon Materials and Chemicals | (4.4)% | (1.2)% | -3.2% |
| Railroad and Utility Products and Services | 9.2% | 8.6% | +0.6% |
| Performance Chemicals | 11.9% | 0.0% | N/A |
| | 4.1% | 2.0% | +2.1% |

**CMC operating profit** decreased by $8.8 million or 176 percent over the prior year period. Operating loss as a percentage of net sales for CMC amounted to 4.4 percent compared to 1.2 percent in the prior year period. Operating profit for the six months ended June 30, 2015 was negatively affected by lower sales prices for carbon black feedstock, phthalic anhydride and naphthalene driven by lower oil prices.

**RUPS operating profit** increased by $6.5 million or 27 percent compared to the prior year period, and operating profit as a percentage of net sales for RUPS increased to 9.2 percent from 8.6 percent in the prior year period. Operating profit for the six months ended June 30, 2015 was positively impacted by higher sales volumes for crossties due to strong industry demand and inventory restocking by railroad customers and the contribution from the August 2014 acquisition of Koppers Railroad Structures.

**PC operating profit** for the six months ended June 30, 2015 amounted to $21.9 million or 11.9 percent of sales as profitability reflected normal seasonality for residential construction. The financial results from these businesses for the first half of 2015 are consistent with our expectations and recent historical performance.

Cash Flow

**Net cash provided by operating activities** was $78.1 million for the six months ended June 30, 2015 as compared to net cash used by operating activities of $8.7 million for the six months ended June 30, 2014. The net increase of $86.6 million in cash from operations was due primarily to lower working capital usage compared to the prior year period principally as a result of a decrease in inventories and an increase in accounts payable combined with the receipt of a cash advance payment of $30 million to KJCC due to the amendment of a soft pitch supply agreement with its customer.

**Net cash used in investing activities** was $20.1 million for the six months ended June 30, 2015 as compared to net cash used in investing activities of $65.2 million for the six months ended June 30, 2014. The decrease in net cash used by investing activities of $45.1 million is due to a reduction of $18.3 million for capital expenditures, proceeds of $12.5 million from asset sales, and a $14.3 million reduction in acquisition expenditures compared to the prior year period.

**Net cash used in financing activities** was $66.6 million for the six months ended June 30, 2015 as compared to net cash provided by financing activities of $45.4 million for the six months ended June 30, 2014. The difference is due mainly to debt repayments totaling $58.2 million in the first six months of 2015 as compared to borrowings of $55.5 million in the prior year period.

**Dividends paid** were $8.7 million for the six months ended June 30, 2015 compared to $10.2 million for the six months ended June 30, 2014. Dividends paid in 2015 include $3.5 million of dividends paid to the non-controlling interest shareholder of KCCC, our 60-percent owned subsidiary. There were no dividends declared to Koppers Holdings shareholders during 2015.

## Liquidity and Capital Resources

### *Restrictions on Dividends to Koppers Holdings*

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

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

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

### *Liquidity*

The Koppers Inc. revolving credit facility agreement provides for a senior secured revolving credit facility of up to $500.0 million and a senior secured term loan of up to $300.0 million at variable interest rates. Borrowings under the revolving credit facility are secured by a first priority lien on substantially all of the assets of Koppers Inc. and its material domestic subsidiaries. The revolving credit facility contains certain covenants for Koppers Inc. and its restricted subsidiaries that limit capital expenditures, additional indebtedness, liens, dividends and investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. and its restricted subsidiaries to meet certain financial ratios.

As of June 30, 2015, we had $80.2 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of June 30, 2015, $61.6 million of commitments were utilized by outstanding letters of credit.

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

| | |
|---|---|
| Cash and cash equivalents[(1)] | $ 51.2 |
| Amount available under revolving credit facility | 80.2 |
| Amount available under other credit facilities | 0.8 |
| Total estimated liquidity | $132.2 |

*(1) Cash includes approximately $50 million held by foreign subsidiaries, which if repatriated to the United States, would incur an estimated cash tax cost of approximately $20 million.*

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

Our need for cash in the next twelve months relates primarily to contractual obligations which include debt service, purchase commitments and operating leases, as well as working capital, capital maintenance programs and the funding of plant consolidation and rationalizations. We may also use cash to pursue potential strategic acquisitions. Capital expenditures in 2015, excluding acquisitions, are expected to total approximately $45 million.

In January 2015, Koppers Inc. withdrew a new offering of $400.0 million of senior notes due 2020 due to volatility in the credit markets. Koppers Inc. intended to use the proceeds of the new offering for general corporate purposes and to fund a tender offer to repurchase $300.0 million of its Senior Notes due 2019. When Koppers Inc. withdrew its new offering, it also withdrew its tender offer. We will potentially revisit an offering in the future if market conditions become more favorable.

*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 June 30, 2015 was 1.66.
- The leverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to exceed 5.25. The leverage ratio at June 30, 2015 was 4.76.

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

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

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

Legal Matters

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

Recently Issued Accounting Guidance

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

### Critical Accounting Policies

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

### Environmental and Other Matters

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

## ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective as of the end of the period covered by this report. There was no change in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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

# PART II—OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

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

## ITEM 1A. RISK FACTORS

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

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

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

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

**ITEM 6. EXHIBITS**

| | |
|---|---|
| 3.1* | Amended and Restated Articles of Incorporation of the Company, as amended on May 7, 2015. |
| 10.103* | Second Amendment to Credit Agreement, dated as of June 30, 2015 by and among Koppers Inc., the Guarantors party thereto, the Lenders party thereto and PNC Bank, National Association, as Administrative Agent. |
| 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.

KOPPERS HOLDINGS INC.
(REGISTRANT)

Date: August 6, 2015

By: /s/ MICHAEL J. ZUGAY
Michael J. Zugay
Chief Financial Officer
(Principal Financial Officer,
Principal Accounting Officer and Duly Authorized Officer)

# AMENDED AND RESTATED
# ARTICLES OF INCORPORATION
# OF
# KOPPERS HOLDINGS INC.
# (a Pennsylvania Corporation)

*as amended May ~~2, 2014~~7, 2015*

## ARTICLE I
## NAME

Section 101. The name of the Corporation is Koppers Holdings Inc.

## ARTICLE II
## REGISTERED OFFICE

Section 210. The name of the Corporation’s commercial registered office provider and the county of venue is Corporation Service Company, Allegheny County.

## ARTICLE III
## PURPOSE

Section 301. The purposes for which the Corporation is incorporated under the Pennsylvania Business Corporation Law of 1988, as amended (the “Business Corporation Law”) are to engage in and do any lawful act concerning any or all lawful business for which corporations may be incorporated under said Business Corporation Law.

## ARTICLE IV
## CAPITAL STOCK

Section 401. The aggregate number of shares of all classes of capital stock which the Corporation shall have authority to issue is ~~50~~90,000,000 shares, of which ~~40~~80,000,000 shares shall be voting common stock, $.01 par value ~~(“~~(“Common Stock~~”)~~”) and- 10,000,000 shares shall be preferred stock, $.01 par value ~~(“~~(“Preferred Stock~~”)~~(”)(the Common Stock and the Preferred Stock shall hereinafter collectively be called the ~~“~~“Stock~~”).~~”).

Section 402. The Board of Directors of the Corporation (hereinafter referred to as the “Board of Directors” or the “Board”) may declare, and cause to be paid, dividends to the holders of shares of the Stock out of any funds of the Corporation legally available for the payment of dividends.

Section 403. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, all of the holders of shares of the Common Stock shall be entitled, subject to the prior rights of any series of Preferred Stock, to share ratably, on a share-for-share basis, in any remaining assets of the Corporation available for distribution to its shareholders.

Section 404. Shares of Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to fix the voting rights, if any, designations, powers, preferences and the relative, participating, optional and other rights, if any, and the qualifications, limitations or restrictions thereof, of any additional series of Preferred Stock; and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such additional series (but not below the number of shares then outstanding).

Section 405. Except as may otherwise be provided herein (including any certificate filed with the Secretary of State of Pennsylvania establishing the terms of a series of Preferred Stock) or by applicable law, each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which shareholders are entitled to vote. The shareholders of the Corporation shall not be entitled to cumulate their votes for the election of Directors.

## ARTICLE V
## BOARD OF DIRECTORS

Section 501. At the 2014 annual meeting of shareholders, the successors of the Directors whose terms expire at that meeting shall be elected for a term expiring at the 2015 annual meeting of shareholders. At the 2015 annual meeting, the successors of the Directors whose terms expire at that meeting shall be elected for a term expiring at the 2016 annual meeting. At each annual meeting of shareholders thereafter, the Directors shall be elected for terms expiring at the next annual meeting of shareholders. Except as expressly provided in these Amended and Restated Articles of Incorporation or the Bylaws, each Director shall hold office for the term for which elected until his or her death, resignation, incapacity or until his or her successor shall be elected and shall qualify.

Section 502. The entire Board or any Director may be removed only for cause by the holders of a majority of the outstanding Shares then entitled to vote at an election of Directors.

Section 503. Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

Section 504. Except as set forth in these Amended and Restated Articles of Incorporation, the number and election of directors of the Corporation shall be determined in accordance with the Bylaws of the Corporation. Whenever holders of one or more series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, the election, removal, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of any certificate or other document filed with the Secretary of State of Pennsylvania establishing the terms of such Preferred Stock.

## ARTICLE VI.
## ACTION BY SHAREHOLDERS

Section 601. No action by shareholders may be taken without a meeting by consent except for the unanimous consent of all holders of Common Stock. Special meetings of the shareholders may be called only by the Board or the Chairman of the Board.

ARTICLE VII
BYLAWS

Section 701. Unless otherwise provided by law or in the Bylaws, (i) the Board of Directors is expressly authorized and empowered to adopt, amend and repeal any one or more Bylaws of the Corporation at any regular or special meeting, if notice of the proposed adoption, amendment or repeal of the Bylaws to be made is contained in the notice of such special meeting and (ii) any one or more Bylaws may be adopted, amended or repealed at any annual or special meeting of the shareholders if notice of the proposed adoption, alteration or repeal of the Bylaws to be made is contained in the notice of such meeting, by the affirmative vote of the holders of shares constituting two-thirds of the voting power of the outstanding Common Stock and Preferred Stock entitled to vote thereon.

ARTICLE VIII
AMENDMENT OF ARTICLES

Section 801. The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in these Amended and Restated Articles of Incorporation, any other provisions authorized by the laws of the Commonwealth of Pennsylvania at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon shareholders, directors or any other persons whomsoever by and pursuant to these Amended and Restated Articles of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article VIII.

ARTICLE IX
LIMITATION OF LIABILITY OF DIRECTORS

Section 901. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under Pennsylvania law.

ARTICLE X
NONAPPLICABILITY OF CERTAIN PROVISIONS

Section 1001. Subchapters 25(E), 25(F), 25(G), 25(H), 25(I) and 25(J) of the Pennsylvania Business Corporation Law shall not be applicable to the Corporation.

# SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (the "Amendment") is dated as of June 30, 2015 by and among KOPPERS INC., a Pennsylvania corporation (the "Borrower"), the GUARANTORS (as defined in the Credit Agreement), the LENDERS (as defined in the Credit Agreement), and PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Administrative Agent").

**WITNESSETH**:

WHEREAS, this Amendment amends that certain Credit Agreement dated as of August 15, 2014, as amended by First Amendment to Credit Agreement and Consent and Waiver (the "First Amendment") dated as of December 17, 2014 (as amended by the First Amendment, the "Credit Agreement").

WHEREAS, Borrower has requested that the Lenders modify the definition of Fixed Charges in the Credit Agreement, and the Administrative Agent and the Lenders have agreed to such modifications as described in this Amendment. Capitalized terms not otherwise defined in this Amendment have the meanings given to them in the Credit Agreement.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained and intending to be legally bound hereby, covenant and agree as follows:

1. Recitals. The foregoing recitals are true and correct and incorporated herein by reference.

2. Amendment to the Credit Agreement. Section 1.1 [Defined Terms] of the Credit Agreement is hereby amended to amend and restate the following defined term in its entirety:

> Fixed Charges shall mean for any period of determination the sum of interest expense, contractual principal installments on Indebtedness, and contractual principal payments on capitalized leases, in each case of Holdings and its Subsidiaries for such period determined and consolidated in accordance with GAAP; provided that, notwithstanding the foregoing, (i) payments made by the Borrower to redeem the 2009 Senior Notes as permitted under Section 8.2.5 [Restricted Payments] shall be excluded from the calculation of Fixed Charges and (ii) in the event that Holdings pays any dividends or distributions after June 30, 2015, then all dividends or distributions made by Holdings during any period of determination shall be included in the calculation of Fixed Charges.

3. Conditions Precedent. The Borrower, the Guarantors and the Lenders acknowledge that this Amendment shall not be effective until the date each of the following conditions precedent has been satisfied:

(a) The Borrower, the Guarantors, the Required Lenders, and the Administrative Agent shall have executed, and delivered to the Administrative Agent, this Amendment;

(b) Since December 31, 2014, no Material Adverse Change shall have occurred with respect to the Borrower or any of the Guarantors;

(c) No default or event of default shall have occurred or will occur under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor as a result of and after giving effect to the transactions contemplated by this Amendment;

(d) The Borrower and the Guarantors shall have obtained all approvals and consents necessary to consummate the transactions contemplated by this Amendment;

(e) The Borrower shall have paid to the Administrative Agent and PNC Capital Markets LLC all fees required to be paid in connection with this Amendment, and the Borrower shall have reimbursed the Administrative Agent all fees and expenses, including without limitation, attorneys' fees, for which the Administrative Agent is entitled to be reimbursed; and

(f) All legal details and proceedings in connection with the transactions contemplated by this Amendment and all other Loan Documents to be delivered to the Lenders shall be in form and substance reasonably satisfactory to the Administrative Agent.

4. Representations, Warranties and Covenants. The Borrower and each Guarantor covenants and agrees with and represents and warrants to the Administrative Agent and the Lenders as follows:

(a) the Borrower's and Guarantors' obligations under the Credit Agreement, as modified hereby, are and shall remain secured by the Collateral (other than the Released Assets (as defined in the First Amendment)), pursuant to the terms of the Credit Agreement and the other Loan Documents;

(b) the Borrower and each of the Guarantors possesses all of the powers requisite for it to enter into and carry out the transactions of the Borrower and each Guarantor referred to herein and to execute, enter into and perform the terms and conditions of this Amendment, the Credit Agreement and the other Loan Documents and any other documents contemplated herein that are to be performed by the Borrower or such Guarantor; any and all actions required or necessary pursuant to the Borrower's or such Guarantor's organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by the Borrower and such Guarantor of the terms and conditions of this Amendment; the officers of the Borrower and each Guarantor executing this Amendment are the duly elected, qualified, acting and incumbent officers of such Loan Party and hold the titles set forth below their names on the signature lines of this Amendment; and such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of any applicable law or any agreement, instrument, order, writ, judgment, injunction or decree to which the Borrower or such Guarantor is a party or by which the Borrower or such Guarantor or any of its properties is bound, and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by the Borrower and such Guarantor of the terms and conditions of this Amendment, the Credit Agreement, the other Loan Documents and the transactions contemplated hereby have been obtained by the Borrower and such Guarantor and are full force and effect;

(c) this Amendment, the Credit Agreement, and the other Loan Documents constitute the valid and legally binding obligations of the Borrower and each Guarantor, enforceable against the Borrower and each Guarantor in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

(d) except as specifically modified by this Amendment, all representations and warranties made by the Borrower and each Guarantor in the Credit Agreement and the other Loan Documents are true and correct in all material respects as of the date hereof, with the same force and effect as if all such representations and warranties were fully set forth herein and made as of the date hereof and the Borrower and each Guarantor has complied with all covenants and undertakings in the Credit Agreement and the other Loan Documents;

(e) this Amendment is not a substitution, novation, discharge or release of the Borrower's or any Guarantor's obligations under the Credit Agreement or any of the other Loan Documents, all of which shall and are intended to remain in full force and effect;

(f) no Event of Default or Potential Default has occurred and is continuing under the Credit Agreement or the other Loan Documents; there exist no defenses, offsets, counterclaims or other claims with respect to the Borrower's or any Guarantor's obligations and liabilities under the Credit Agreement or any of the other Loan Documents; and

(g) the Borrower and each Guarantor hereby ratifies and confirms in full its duties and obligations under the Credit Agreement, the Guaranty Agreement, and the other Loan Documents applicable to it, each as modified hereby.

5. Incorporation into Credit Agreement and other Loan Documents. This Amendment shall be incorporated into the Credit Agreement by this reference and each reference to the Credit Agreement that is made in the Credit Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Credit Agreement as amended hereby. The term "Loan Documents" as defined in the Credit Agreement shall include this Amendment.

6. Severability. If any one or more of the provisions contained in this Amendment, the Credit Agreement, or the other Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained in this Amendment, the Credit agreement or the other Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

7. Successors and Assigns. This Amendment shall apply to and be binding upon the Borrower and each Guarantor in all respects and shall inure to the benefit of each of the Administrative Agent and the Lenders and their respective successors and assigns, provided that neither the Borrower nor any Guarantor may assign, transfer or delegate its duties and

obligations hereunder. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment, the Credit Agreement or any of the other Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the Borrower, the Guarantors, the Administrative Agent and the Lenders.

8. Reimbursement of Expenses. The Borrower unconditionally agrees to pay and reimburse the Administrative Agent and save the Administrative Agent harmless against liability for the payment of reasonable out-of-pocket costs, expenses and disbursements, including without limitation, fees and expenses of counsel incurred by the Administrative Agent in connection with the development, preparation, execution, administration, interpretation or performance of this Amendment and all other documents or instruments to be delivered in connection herewith.

9. Counterparts. This Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

10. Entire Agreement. This Amendment sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party which is not embodied in this Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

11. Governing Law. This Amendment shall be deemed to be a contract under the laws of the State of New York and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to its conflict of laws principles.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**
**[SIGNATURE PAGES FOLLOW]**

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

**BORROWER:**

**KOPPERS INC.**

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Treasurer

**GUARANTORS:**

**KOPPERS HOLDINGS INC.**
**KOPPERS DELAWARE, INC.**
**KOPPERS ASIA LLC**
**KOPPERS CONCRETE PRODUCTS, INC.**
**CONCRETE PARTNERS, INC.**

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Treasurer

**KOPPERS WORLD-WIDE VENTURES CORPORATION**

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Vice President

**KOPPERS VENTURES LLC**

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Treasurer and Assistant Secretary

**KOPPERS PERFORMANCE CHEMICALS, INC.**,
a New York corporation

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Treasurer

**KOPPERS RAILROAD STRUCTURES INC.**,
a Delaware corporation

By: /s/ Louann E. Tronsberg-Deihle
Name: Louann E. Tronsberg-Deihle
Title: Treasurer

**KOPPERS-NEVADA LIMITED-LIABILITY COMPANY**,
a Nevada limited liability company
**KOPPERS NZ LLC,**
a New York limited liability company
**WOOD PROTECTION MANAGEMENT LLC**,
a Nevada limited liability company

By: /s/ Steven R. Lacy
Name: Steven R. Lacy
Title: Manager

**WOOD PROTECTION LP**,
a Texas limited partnership
By: **WOOD PROTECTION MANAGEMENT LLC**,
as General Partner

By: /s/ Steven R. Lacy
Name: Steven R. Lacy
Title: Manager

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**ADMINISTRATIVE AGENT AND LENDERS:**

**PNC BANK, NATIONAL ASSOCIATION,**
as a Lender and as Administrative Agent

By: /s/ Tracy J. DeCock
Name: Tracy J. DeCock
Title: Senior Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**
as a Lender and as Co-Syndication Agent

By: /s/ J. Barrett Donovan
Name: J. Barrett Donovan
Title: Senior Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**BANK OF AMERICA, N.A.,**
as a Lender and as Co-Syndication Agent

By: /s/ Joseph E. Flynn
Name: Joseph E. Flynn
Title: Senior Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**CITIZENS BANK OF PENNSYLVANIA,**
as a Lender and as Co-Syndication Agent

By: /s/ Sean McWhinnie
Name: Sean McWhinnie
Title: Duly Authorized Signatory

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**FIFTH THIRD BANK,**
as a Lender and as Co-Documentation Agent

By: /s/ Michael S. Barrett
Name: Michael S. Barrett
Title: Managing Director

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**DEUTSCHE BANK AG NEW YORK BRANCH,**
as a Lender

By: /s/ Marcus M. Tarkington
Name: Marcus M. Tarkington
Title: Director

**DEUTSCHE BANK AG NEW YORK BRANCH,**
as a Lender

By: /s/ Michael Shannon
Name: Michael Shannon
Title: Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**BARCLAYS BANK PLC,**
as a Lender

By: /s/ Daniel Hunter
Name: Daniel Hunter
Title: Authorized Signatory

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,**
as a Lender

By: /s/ Mustafa Khan
Name: Mustafa Khan
Title: Director

**BMO HARRIS BANK N.A.,**
as a Lender

By: /s/ Thomas Hasenauer
Name: Thomas Hasenauer
Title: Vice President

**FIRST NIAGARA BANK, N. A.,**
as a Lender

| | |
|---|---|
| By: | /s/ Brad Johnston |
| Name: | Brad Johnston |
| Title: | AVP RM |

**FIRST NATIONAL BANK OF PENNSYLVANIA,**
as a Lender

By: /s/ Dennis F. Lennon
Name: Dennis F. Lennon
Title: Vice President

**THE HUNTINGTON NATIONAL BANK,**
as a Lender

By: /s/ Chris Kohler
Name: Chris Kohler
Title: Senior Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**FIRST COMMONWEALTH BANK,**
as a Lender

By: /s/ Joseph P. Hynds
Name: Joseph P. Hynds
Title: Senior Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**TRISTATE CAPITAL BANK,**
as a Lender

| | |
|---|---|
| By: | /s/ Michael Morris |
| Name: | Michael Morris |
| Title: | Senior Vice President |

**SOMERSET TRUST COMPANY,**
as a Lender

By: /s/ Parke Kreinbrook
Name: Parke Kreinbrook
Title: Loan Officer

**CNB BANK,**
as a Lender

By: /s/ Joseph E. Dell, Jr.
Name: Joseph E. Dell, Jr.
Title: Executive Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**WASHINGTON FINANCIAL BANK,**
as a Lender

By: /s/ Anthony M. Cardone
Name: Anthony M. Cardone
Title: Vice President

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**ZAIS CLO 1, LIMITED,**
as a Lender

By: ZAIS Leveraged Loan Manager, LLC, its collateral manager

By: ZAIS Group, LLC, its sole member

By: /s/ Vincent M. Ingato
Name: Vincent M. Ingato
Title: Managing Director

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**ZAIS CLO 2, LIMITED,**
as a Lender

By: ZAIS Leveraged Loan Manager 2, LLC, its collateral manager

By: ZAIS Group, LLC, its sole member

By: /s/ Vincent M. Ingato
Name: Vincent M. Ingato
Title: Managing Director

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**ZAIS CLO 3, LIMITED,**
as a Lender

By: ZAIS Leveraged Loan Manager 3, LLC, its collateral manager

By: ZAIS Group, LLC, its sole member

By: /s/ Vincent M. Ingato
Name: Vincent M. Ingato
Title: Managing Director

**HENDERSON HIGH YIELD OPPORTUNITIES FUND,**
as a Lender

Henderson Global Investors for and on behalf of Henderson High Yield Opportunities Fund

By: /s/ Todd Nocella
Name: Todd Nocella
Title: Authorized Signatory

Exhibit 12.1

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

| | *2010* | *2011* | *2012* | *2013* | *2014* | *Six months ended June 30, 2015* |
|---|---|---|---|---|---|---|
| **Earnings:** | | | | | | |
| Income (loss) from continuing operations before taxes | $ 73.8 | $52.5 | $100.6 | $ 77.0 | $ (5.9) | $ 8.5 |
| Deduct: Equity earnings net of dividends | 0.0 | 0.2 | 0.8 | 0.8 | (1.6) | (1.1) |
| Deduct: Pre-tax income of noncontrolling interests | 0.5 | 0.9 | 2.0 | 0.0 | 0.0 | 0.0 |
| Add: Fixed charges | 40.3 | 40.8 | 41.6 | 39.4 | 51.8 | 32.5 |
| Earnings as defined | $113.6 | $92.2 | $139.4 | $115.6 | $47.5 | $ 42.1 |
| **Fixed charges:** | | | | | | |
| Interest expensed | $ 27.1 | $27.2 | $ 27.9 | $ 26.8 | $39.1 | $ 25.9 |
| Other | 0.0 | 0.0 | 0.0 | 0.4 | 1.3 | 0.0 |
| Rents | 42.5 | 43.8 | 44.3 | 39.4 | 36.7 | 21.3 |
| Interest factor | 31% | 31% | 31% | 31% | 31% | 31% |
| Estimated interest component of rent | 13.2 | 13.6 | 13.7 | 12.2 | 11.4 | 6.6 |
| Total fixed charges | $ 40.3 | $40.8 | $ 41.6 | $ 39.4 | $51.8 | $ 32.5 |
| **Ratio of earnings to fixed charges** | **2.82** | **2.26** | **3.35** | **2.93** | **0.92** | **1.30** |

Exhibit 31.1

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: August 6, 2015

/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: August 6, 2015

/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 June 30, 2015 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

August 6, 2015

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

August 6, 2015