KOPPERS COMPANY, INC.

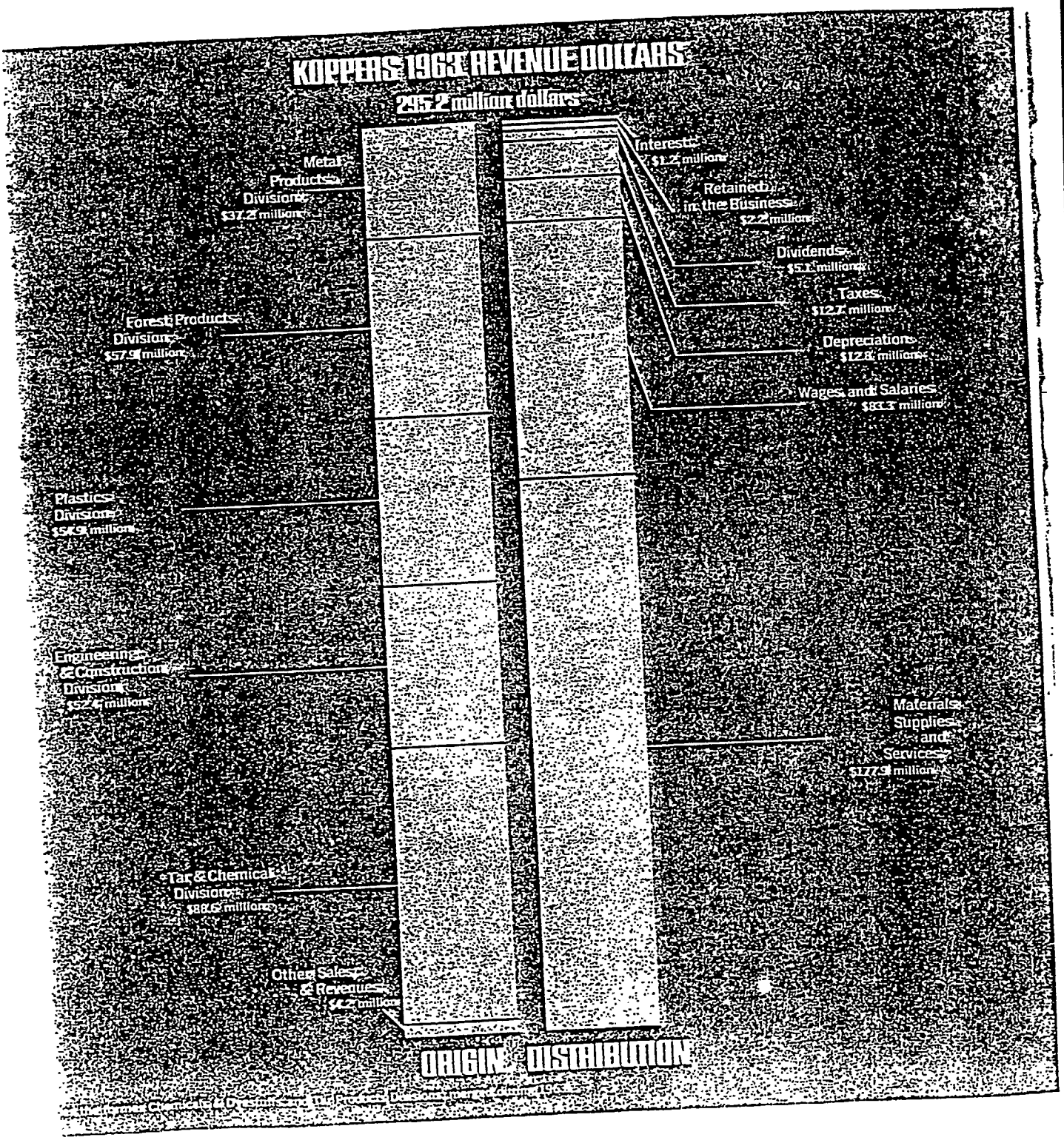
KOPPERS

ANNUAL REPORT 1963

the year in brief

	$ 292,614,[illegible]
	[illegible]
	$ 295,154,[illegible]
	$ [illegible]
	[illegible]
	$ 3.01
	$ 2.[illegible]
	$ 71,447,900

Current Stockholders: 15,778 / Employees: 10,669 / Plants 76



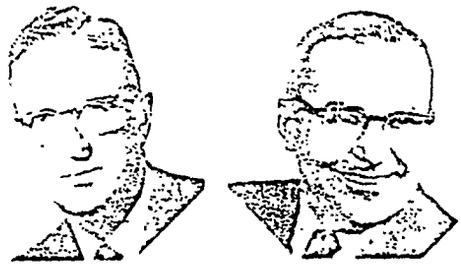
KOPPERS COMPANY INC. ANNUAL REPORT 1963

The next Annual Meeting of the Stockholders of the company will be held on March 30, 1964 at the Penn Sheraton Hotel Urban Room - 7th Floor Pittsburgh, Pa. The Management will solicit proxies for the meeting. A notice of the meeting, a proxy statement and a form of proxy will be mailed to the Common Stockholders in connection with this solicitation in the latter part of February 1964.

Two products of the Plastics Division are represented in this Report.

The text is printed on Coronation Litho Gloss by West Virginia Pulp and Paper Company. DYLEX K-55, the Division's latest styrene-butadiene latex, is used in the manufacture of Coronation Litho Gloss.

One of the many uses for the Division's DURETHENE polyethylene film is demonstrated by the plastic envelope used to mail this Report. The envelope was produced by the Bemis Bro. Bag Co.



Lazar Ely, *Chairman* F. L. Byrom, *President*

TO OUR STOCKHOLDERS

January 27, 1964

In the usual course of events, this letter from the Chairman and the President would start by giving Sales and Earnings as reported, compared to 1962 as reported.

Normally we would ask you to examine these figures:

	1963	1962
Total Company Sales	$292,934,000	$301,149,000
Pre-tax Profits	$ 14,154,000	$ 13,823,000
After-tax Profits	$ 7,281,000	$ 7,325,000
Earnings Per Share	$3.81	$3.21

But for reasons we shall state, we feel the following figures are far more meaningful:

	1963	1962
Total Company Sales	$293,531,000	$289,722,000
Pre-tax Profits	$ 13,199,000	$ 11,697,000
After-tax Profits	$ 6,837,000	$ 6,563,000

What is the difference between these two tables and why do we ask you to consider both of them?

There are two reasons.

1. During 1962 the courts forced us to dispose of the Thomas Flexible Coupling Company which contributed to sales and profits in that year, including a substantial capital gain, but sales and earnings from which are completely absent from 1963.
2. In the Fall of 1962, we transferred the assets and personnel of our dyestuffs operation into a new company, American Aniline Products, Inc. This firm is now jointly owned by Philips Electronics and Pharmaceutical Industries Corporation and Koppers. Philips also having transferred their dyestuffs activities, which complement to their own, into the new company.

In this joint [illegible] both parents retain the [illegible] dyestuffs field [illegible] participants in a stronger form which will be able to compete [illegible] more effectively in a business which has long been intensely and vigorously competitive.

This move, occurring as it did during the year, also distorts the comparison between the two years.

The second table, then, shows sales and profits made in 1962 and 1963 by that portion of the Company which does not have in it either dyestuffs or Thomas Coupling activities.

The second table removes from the statistics for 1962 the effect of sales, operating profit and a substantial capital gain from the court-ordered sale of Thomas Coupling, as well as sales and profits from dyestuffs in that year.

It removes from 1963, sales and profits from dyestuffs made in that part of the year completed prior to its transfer to the new jointly-owned company.

The remainder is a report of the progress of the balance of the Company from 1962 to 1963.

You should not be assumed that these

Distribution of Manufacturing Division Sales by Consuming Industries

	Percent	
	1963	1962
Chemicals, Plastics, Rubber and Dye	36.2%	33.0%
Construction Materials	17.8	14.9
Industrial Machinery	11.6	12.5
Utilities	6.1	5.9
Railroads	6.1	5.1
Highways	4.5	5.9
Iron & Steel	3.4	3.6
Aluminum	2.7	2.5
Defence	1.9	1.3
Consumer Products	0.6	1.0
Miscellaneous	9.1	9.3
Total	100.0%	100.0%

two changes have materially lowered the after-tax earning power of your Company as the second table might suggest. While for the near term the transfer of the dyestuffs business will reduce earnings transferred to the parents, over the longer term both parents are satisfied that earnings from the stronger combined operation will be greater than either could have developed alone.

Other acquisitions and new products with developing sales and earnings, which have come into being in 1963, will more than offset in 1964 the effect of the transfer of dyestuffs earnings in 1963.

Reference to the table of Sales by Divisions, presented below, shows that the sales of our Manufacturing Divisions increased slightly during the year despite severe price pressures.

The slight drop in total Company sales was in the engineering and construction area. It reflects the fact that domestic steel companies placed very few contracts in our fields of activity during late 1962 and early 1963.

Our construction business has picked up strongly in recent months, though, and new business totaling nearly $60 million was obtained by the Engineering and Construction Division in 1963.

Total Company backlog on December 31, 1963 was $141 million, up from $123 million at the end of 1962. This increased backlog reflects both the encouraging volume of new construction business received, and a higher backlog of orders for our manufactured products.

NET SALES BY DIVISIONS

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	-	—
[illegible]	—	—	—	—	—	—	—	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

three year review

To assist our stockholders even further in evaluating the progress of the Company, we believe a review of actions taken during the past three years will be helpful at this time.

In December of 1960, Fletcher L. Byrom was elected President and Chief Administrative Officer of your Company. Fred C. Foy continued as Chairman of the Board and Chief Executive Officer.

The following bar chart compares the year 1960, prior to these moves, and 1963, the year just completed.

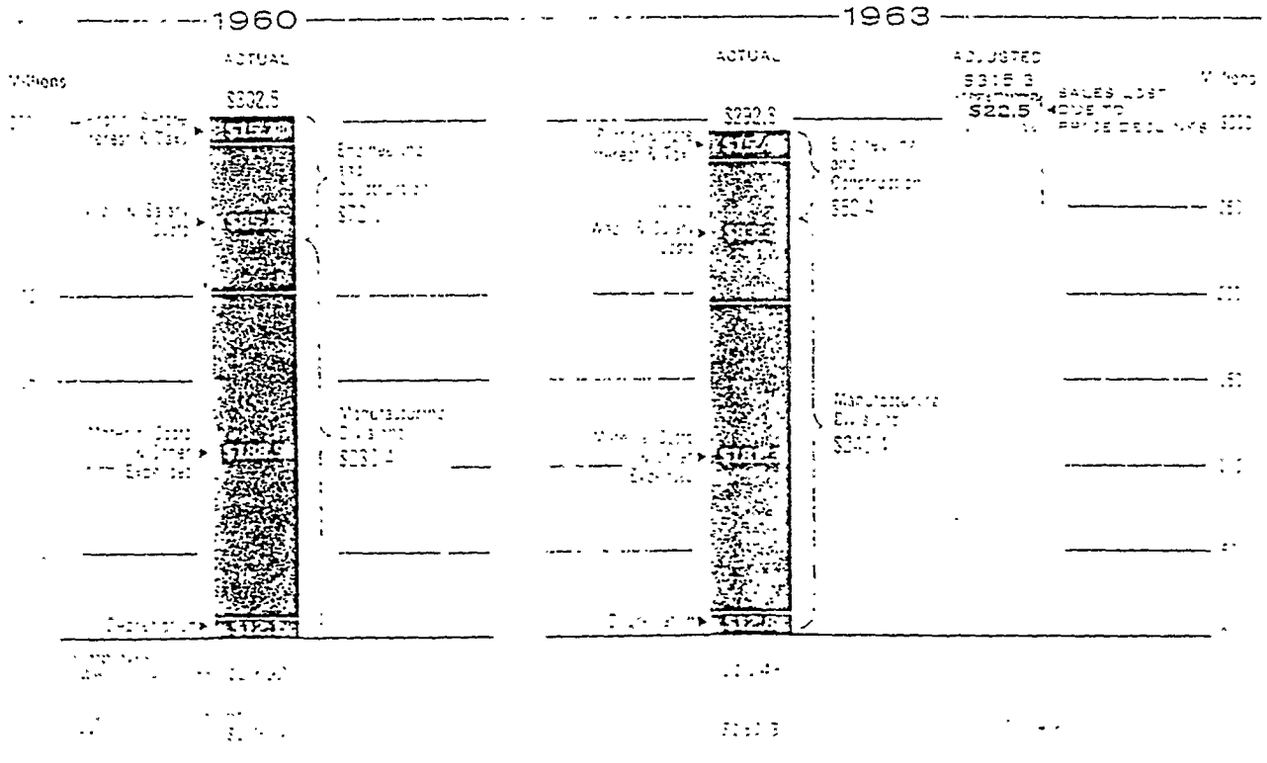
The first two bars correspond to the reported figures for the total Company for both years. They show in broad terms how our revenue dollars were divided. They separate the sales of our Manufacturing Divisions from those of the Engineering and Construction Division.

More significant to our stockholders is the third bar, at the right. In this bar, there is one important additional piece of information. At the extreme top, in the gray-shaded section, we show the effect on our 1963 sales if all of our [illegible] had been sold at the average prices [illegible] 1960.

In brief what this third bar reveals is that during this three-year period, price declines in many of our product lines, particularly chemicals and plastics, reduced our 1963 sales by $22.5 million as compared to what they would have been at 1960 price levels.

This chart shows that in spite of this $22.5 million drop in sales prices, almost all of which would have been profit, we have been able to maintain our profits at approximately the 1960 level with no appreciable increase in

DISTRIBUTION OF SALES - EFFECT OF LOWER PRICES - 1960-1963



...ment, etc., that we have been ... maintain our sales at very ... level, but with an av... employment in 1963 of 11,218 ... compared to 12,692 in 1960.

This ability of your Company to withstand the shock of price declines ... taking a figure as large as $22.5 million, without a corresponding drop in profits, is due to an intensive and continuing drive for lower costs, improved products and greater efficiencies which has been going on before and during this period.

It has included a variety of actions including:

- research and development emphasis on increased recovery efficiencies, increased reagent efficiencies, and cost improvement;
- ... reworking of facilities, resulting in substantial increases in plant output without major new investment;
- ... materials cost reductions;
- ... investments in ... lower cost facilities and plant ...
- ... performance and ... Company personnel ...
- ... investment in modernized plants or ... and closing less efficient plants ...
- ... consolidation of Divisions and units into more efficient operating ... This latter type of activity ... during the period in ... a total of 11 plants and ... consolidation of their ... has generally ... operations for ... plants with resulting ... production and lower ...

...

...

...years there were a number of product areas that showed losses in [illegible].

As of the end of 1963, all but three of these have been converted to profitable operation or disposed of. We expect before the end of 1964 to reach the point where none of these will any longer be a drain on our earnings.

During the coming year we expect to devote attention to efforts to further upgrade the rate of return on other areas of our business.

We shall also continue to seek opportunities for acquisitions which will further strengthen and expand our production or marketing position, diversify operations and contribute further to improved profits.

We believe that in the past year your Company has demonstrated its ability to generate earnings under adverse price and competitive conditions.

During the coming year we are looking for improvement in our sales volume, especially in the construction business.

The degree of improvement in earnings in 1964 will depend to a considerable extent on whether [illegible] ... changes already announced in several ... take hold.

In any event the improvements in ... and the economies effected through [illegible] will have an added impact in 1964.

For the Board of Directors,

[signature]

[illegible], Chairman

[signature]

[illegible], President

financial matters

The financial condition of the Company remained strong during 1963. Term debt was substantially reduced at the 1963 year end to $22.7 million. The ratio of term debt to total capitalization is 12.6 per cent.

During 1963, a new bank loan agreement, which we regard as highly satisfactory, was worked out with a group of ten banks. In summary, this agreement makes available to Koppers a $30 million line of credit extended over an eight-year period. We used part of the funds available under this new agreement to pay off our outstanding term notes with banks which were due October 1, 1964 and are planning to use an additional $11.5 million to retire the remaining First Mortgage Bonds due on October 1, 1964. This line of credit gives us considerable flexibility in making our future financing plans, and seemed better suited to our needs at this time than any longer term form of debt which might have been used.

Cash flow from operations [illegible] net income plus depreciation and depletion, and deferred [illegible] taxes totaled $27.5 million or $12 per share of common stock, up from $9.61 per share in 1962.

The ratio of current assets to current liabilities at year end was 2 to 1. Inventories at December 31, 1963 amounted to $47.5 million, while receivables amounted to $56.5 million. This represented a reduction of $2.2 million from the combined level of inventories and receivables at the beginning of the year.

During the year dividends amounted to $3,600,000, or $1.60 per share, [illegible] preferred stock. [illegible] common stockholders received $3.20 [illegible] payments of $1.5 million [illegible] $2.[illegible] ago.

Capital Investments Total $13 Million

[illegible] and expansion and modernization of existing plant facilities amounted to $13.0 million in 1963, up from $13.1 million invested in the previous year. Details of specific 1963 investments will be outlined in the subsequent pages of this section.

Koppers people

Our employee relations were quite favorable in 1963. We did not experience a single work stoppage at any of Koppers 76 plants.

At the year end, 10,669 people were employed by Koppers.

Executive Changes A number of personnel changes put into effect during 1963 have provided opportunities for several of Koppers capable, younger executives to move into positions where they can play more direct roles in the management of our operations.

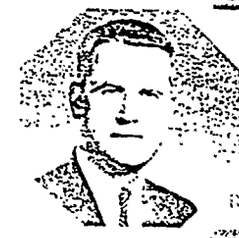
T. C. Keeling, Jr., formerly General Manager of the now-merged Chemicals and Divestuffs Division, was elected President of Koppers International, C.A. and Koppers Interamerican Corporation, wholly-owned subsidiaries of Koppers which operate in the international field. He was also named Assistant General Manager of the International Division of the parent Company.

Mr. Keeling will provide continuity and experienced leadership in the Company's international activities, which have become an increasingly important factor in Koppers total operations. The present General Manager of the International Division, George W. Naylor, will reach mandatory retirement age late in 1964.

W. Eugene Koger, previously Manager of Personnel Administration, was appointed Vice President and Manager of Industrial Relations. Mr. Koger joined Koppers in 1957 as Assistant Manager of Management Planning and later served as Coordinator of [illegible]

T. C. Keeling, Jr.

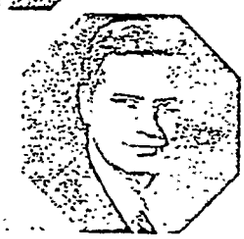
W. Eugene Koger



E. Otto Whitney

Joseph B. [illegible]

John H. Hauser



Donald [illegible]

The Company sustained a great loss in the death, on March 5, 1963, of Joseph L. Tunstead, Vice President and Manager of the Marketing Department. In his 15 years' association with the Company, he made significant contributions to the development of improved marketing techniques and organization. B. Otto Wheeley, formerly Assistant to the Vice President, Marketing, was named to succeed Mr. Tunstead. In addition to working closely with the Divisions in the formulation of marketing plans, Mr. Wheeley will direct Koppers activities in market and economic research, in the commercialization of new products, in sales training, and in trade relations.

Joseph B. Schmitt was appointed to the newly-created position of Vice President and Manager of Marketing for the Plastics Division. He will have direct responsibility for the Division's sales, product development, market development and advertising. Since 1942, Mr. Schmitt has served in a number of production and sales capacities with the Division and, prior to his latest appointment, was Manager of Product Development for Dimetrifen and Home Film Operations.

John H. Hauser joined the Company last year as Vice President and Manager of Marketing of the Tar Products Division, now the Tar and Chemicals Division. He has been active for over 25 years in sales and marketing activities with Sylvania Electric, CBS Electric Sales Corp., and the Raytheon Company. Prior to joining Koppers, Mr. Hauser was Manager of Distribution Development for Raytheon.

[illegible] Jackson, Sales Manager [illegible] Products Division, was [illegible] President in that [illegible] succeeding the [illegible] who [illegible] sales [illegible]

ing named the Division's Sales Manager in 1960.

Two other Koppers officers—John E. Spears and John D. Jones—were given broad new responsibilities in 1963. A description of the new functions of these two executives is presented in our discussion of changes in the Company's organizational structure, on the following page.

Walter F. Munnikhuysen Retires from Board; Vance Brand Elected Following 47 years of distinguished service to Koppers, including membership on the Board of Directors for the past 13 years, Mr. Walter F. Munnikhuysen retired from the Board in July, 1963.

Mr. Munnikhuysen joined Koppers in 1916. He was named Vice President and General Manager of the Wood Preserving Division in 1933 and Executive Vice President of the Company in 1950. He served as Chairman of the Board from 1955 to 1956.

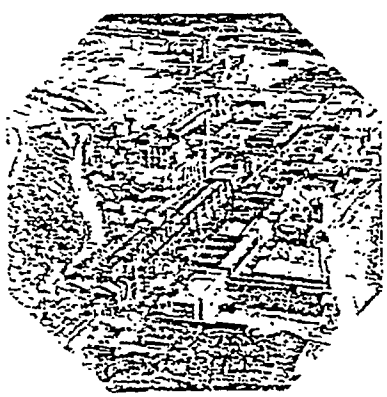
Elected to fill the position vacated by Mr. Munnikhuysen's retirement was Vance Brand—lawyer, banker, and President of the International Investment Corporation.

WALTER F. MUNNIKHUYSEN

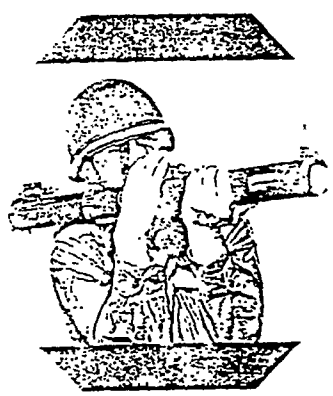
Koppers outlook strengthened by acquisitions, organizational changes

We made a series of major moves in 1968, designed to put the Company on a more fully integrated and competitive basis. These moves included two new acquisitions, the transfer of our divestuffs operations mentioned earlier in this Report, and a realignment of our organizational structure to take maximum advantage of our newly-acquired plants and our existing assets.

Chemical Plant Purchased from American Cyanamid In April we purchased the Bridgeville, Pa. plant of American Cyanamid, located near Pittsburgh. This plant complements the Koppers activities to a considerable degree. It gives us a very modern facility for the production of maleic anhydride used in plastics, and alkyd and polyester resins. It replaces a less efficient phthalic anhydride unit at Kobuta, Pa. It enables us to enter, for the first time, the market for maleic anhydride used primarily in pesticides and polyester resins. Alkyd resins, which find wide application in paints, printing inks, and paper coatings. Acquisition of this plant has also put us into the rapidly growing market for polyester resins, the familiar glass fiber reinforced plastic used for boat hulls, swimming pools, and other structures.



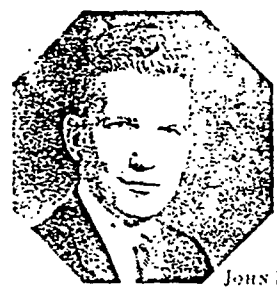
Lamtex Industries Joins Koppers Then, in June, we entered an exciting and relatively new segment of the reinforced plastics markets by acquiring the assets of Lamtex Industries, Inc. of Farmingdale, New York. Lamtex has been a pioneer in the development of the filament winding technique for manufacturing glass fiber reinforced plastics. Filament winding offers significant competitive advantages over conventional materials. While Lamtex production to date has been primarily for military uses such as missile nose cones, rocket motor cases, pressure vessels, and submarine parts, we feel that we can help Lamtex to develop promising new applications in civilian and industrial areas.



Filament-wound plastic rocket launcher produced by Lamtex for U.S. Army

Organizational Structure Realigned To realize the maximum benefit from these acquisitions, as well as to continue the tailoring of our Company's operations to changing conditions, we put in effect a number of organizational changes.

A new position, Vice President-Associated Operations, was set up to direct those Koppers activities in the U.S. which do not fit especially well into one of our existing divisional organizations, nor warrant the establishment of a new division.



JOHN D. JONES

JOHN D. JONES, formerly Vice President of Industrial Relations, was named to the position of Vice President Associated Operations. Included in Mr. Jones' initial responsibilities are relations with Lamtex Industries and General Homes, general wood home producer in Fort Wayne, Indiana. It is our intention that these activities will retain such local freedom of action and identity as is desirable to accelerate their future growth, and make a maximum contribution to Koppers profits.

The [illegible] functions of the [illegible] Office, administered [illegible] were [illegible] reorganization. [illegible]

...mber 31, 1963 of James M. ...Vrooder, Vice President of Finance, ...and E. B. Smack, Treasurer of the ...Company, the activities of the ...mer Finance Department were ...bined with those of the Office of the Comptroller, under the direction of John E. Spears. Mr. Spears, Vice President and Comptroller of Koppers, was elected to the additional post of Treasurer of the Company.

After the merger of our dyestuffs operations with Philips Electronics the remaining operations of the Chemicals and Dyestuffs Division consisted of the production at Petrolia, Pa., and sale of resorcinol, adhesives, sodium sulfate and sulfite, and other chemicals. These operations were consolidated with the Tar Products Division to form a new Tar and Chemical ...ation represents a consolidation of ...three formerly separate Divisions ...Tar Products, Chemicals and ...ucts, and Gas and Coke ...ns ...d with Tar Products in ...2. ...fication to the Petrolia ... ...Chemical operations ... ...the essentially complete ...Bridgeville, Pa., chemical plant, ...ment assets, and the tar processing ...ical chemical and road material ...ucts.

The plants which fall into the tar ...chemical area may be ...ed ...ered the "core" of our participation ...chemical business. To ...ment as directly as possible ...of these considerable resources ...ment on behalf of these ...ties, we have centralized the ...sponsibility for tar and chemical ...erations under the Office of the ...dent. This centralization ...ermits us to coordinate more ...ly the employment of our ...ources, and to take full ...e of the development ...ortunities ...

tar and chemical activities

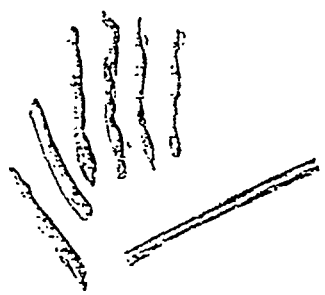
...ntinuing price pressures were experienced during 1963 in a number of tar and chemical product lines including naphthalene, phthalic anhydride, phenol, hot applied pipe coatings, and road materials. We were encouraged, though, in the latter part of the year by increases in the prices of several chemicals.

A number of capital investments were made in the tar and chemical area during 1963.

Our resorcinol producing facilities at Petrolia, Pa. were further modernized and improved.

Three of our Texas facilities were consolidated at a single, more economical location on the deep water canal at Houston.

Equipment was installed at Follansbee, West Virginia, for the extrusion of carbon pitch in the shape of "pencils". Our customers primarily the aluminum and commercial carbon companies, who use the pitch in making electrodes for their electric furnaces. Until now, coal tar pitch suppliers have had to install from ...much greater distance than the ...companies previously involved. The ...sale of pencil pitch was pioneered



...Koppers plants in Chicago ...and Emeryville, California.

A new asphalt emulsion plant ...was built at Atlanta, Georgia, in sufficient time to handle the road materials business that we developed last Spring in that area.

engineering and construction activities

New engineering and construction business received in 1963 was up 50 per cent from 1962. As a result our backlog at the end of 1963 was above the year-earlier level.

Our success in obtaining new work in 1963 was due in large measure to the planned diversification carried out within the past several years in the scope of the services we offer to steel ...producers. Recognizing that the steel ...industry's capital expenditures were ...to be in the direction of more efficient ...producing facilities, ...rather than increase total capacity, ...the major design ...specialties will be ...open-hearth and blast ...furnaces, which for many years ...have been our main sales revenues.

...As an example of the evolving nature of our operations, we entered the ...basic oxygen steel plant field in 1959 ...and have today, in terms of tonnage ...capacity contracted, the leading U. S. ...designer and builder of such plants. ...A significant part of the new business ...booked in 1963 consisted of ...two large "turnkey" contracts, ...awarded to this unit from Republic Steel Corporation, to design ...and build complete basic oxygen ...furnace plants for that ...at Gadsden, Ala. ...and Warren, Ohio.

...As the use of growing importance ...to the steel industry, industries ...manufacturing of steel slabs ...and other steel forms ...both capital and ...

...contractor. This method of ... necessarily requires the steel ... to divert talent and atten... from the business of making and ... steel, to build up their engi...ering and construction staffs, and ... supervise and coordinate activities ... they are not primarily set up to ... We honestly believe that the "turn-key" design and construction concept ... where an experienced contractor ... h as Koppers is given the central... responsibility for the complete ... ject, from initial design to final start-up—costs our customers less in the long run, and gives them a com... facility in less time. We have ... instituted a promotional cam... to point out to our current and ... customers the advantages of ... with Koppers as a "turnkey" ... major projects. Many ... customers already appreciate ... advantages of "turnkey" contracts ... are sure that this promotion, ... with Koppers established rep... in the steel plant construction ... will enable us to obtain a sig... share of the increased capital ... programs presently predict... steel industry.

forest products activities

...ber the name of the Wood Pre... Division was changed to For... Products Division. We believe the ... name with its broader connota... more properly reflects the diversi... of our products and activities ... past several years into areas ... as laminated structures, as well ... long-range objectives in the ... products field.

...est Products sales in 1964 ... an all time high. Part of our ... sales volume was accounted ... Forest Structures, Inc., the wood ... acquired in 1962 and ... Department within ...

...for a number of our pressure treated products used by public utilities, by the construction industry, and in the agricultural field. Our sales to the railroad industry, while not high by historical standards, were up considerably from the previous year.

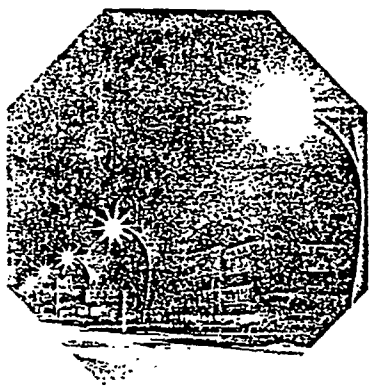
We enjoyed a substantial increase in the demand for wood treated by our CELLON process. This treatment renders wood resistant to decay and insect attack, yet retains the fine natural properties and appearance of wood. We expanded our CELLON capacity at Orrville, Ohio in 1963; and, although we experienced a fire during the year at the Feather River plant in northern California, a plant expansion currently in progress will significantly increase our CELLON capacity at that location. Our first CELLON licensee, established at mid-year in Florida, operated CELLON treating facilities at full capacity during the remainder of the year.

In anticipation of further increases in the demand for CELLON treated wood, we are currently preparing plans to put additional CELLON plants of our own in operation during 1965, as well as conducting negotiations with other potential licensees.

In 1964, our NON-COM fire retardant treatment continued to gain acceptance by the building industry, and by insurance and code authorities. Sales of NON-COM wood showed another substantial increase during the year, as did our sale of NON-COM chemicals to other firms which have been licensed to use this treatment. Two new NON-COM licensees were established during the year. A total of 11 such licensees are now in operation.

Two promising new products were put on the market by the Unit Structures Department during the year:

Decorative lighting standards of laminated wood which we call "Light Risers" are expected ...



"Light Risers" add decorative touch to Watertown, Wisconsin thoroughfare.

...pers and public utilities.

Unit prefinished roof decking, first offered to the construction industry in 1963, eliminates costly finishing by field crews. This Unit decking is available in a wide choice of colors.

Specialized equipment installed at our Orrville, Ohio plant enabled us to triple our sales of dimensionally stabilized wood, a relatively new field for Koppers. Though its market is rather limited, stabilized wood is important to users who require maximum dimensional integrity.

Another promising new product—ALGER-DECK—was put on the market during the year. This is a strong, long-wearing, glue-laminated decking for use on freight cars and truck trailer bodies. Because of its low first cost, ease of installation, and long life, initial ... customer acceptance of ALGER-DECK ... good and we are look... ...sion sales of this item ...

international activities

In 1963, we were able to maintain the sales level of goods and services from our domestic plants sold overseas, despite lower prices received for some of our large volume products.

Of the several overseas steel plant projects mentioned in prior years, plans for the new integrated steel plant to be built in the Philippines progressed substantially in 1963. On January 22, 1964, a $62.3 million loan agreement was entered into by the Export-Import Bank of Washington, D. C. and Iligan Integrated Steel Mills, Inc. In the coming weeks further discussions on the project will be held with Mr. Fernando Jacinto, President of Iligan Steel, and his associates. Based on our letter of agreement, we expect in these discussions to work out the specifics of a contract for Koppers to accept responsibility for carrying forward the steel plant project through design, construction, procurement, and management services.

The new ethylene and polyethylene plant of our associated company in the Argentine—Industrias Petroquimicas Argentinas Koppers, S.A. (IPAKO)—was completed and formally dedicated on November 12, 1963. The dedication ceremony was attended by Dr. Arturo U. Illía, President of the Republic of Argentina. This is the first polyethylene plant in Argentina, and only the second in all of South America. The polyethylene produced by IPAKO is finding a strong acceptance for such uses as polyethylene film, pipe, and for molded articles such as housewares, toys, and novelties. IPAKO is owned by a Koppers subsidiary in partnership with local Argentine business interests.

Except for [illegible] which has been in operation [illegible] months, the production [illegible] associated companies [illegible] sold is now at [illegible] rated [illegible]

part is being sold. In certain instances expansion of these companies, to meet expanding market requirements, is under consideration.

Since a substantial portion of our investment overseas is in companies operating in South America, some comments on conditions there appear appropriate. Because it is important not to generalize about the conditions, which vary markedly from country to country, we comment separately on the three countries where we are most active—Argentina, Brazil and Chile.

The economy of Argentina is regaining momentum after the recession that followed President Frondizi's removal from office. Following the smooth election, the administration of President Arturo Illía is formulating its program. This appears to contain hopeful portents in the general industrial and economic fields, in contrast to the unfortunate actions on the oil contracts—an area which has long been a difficult political issue. Our operations in Argentina are both profitable and expanding.

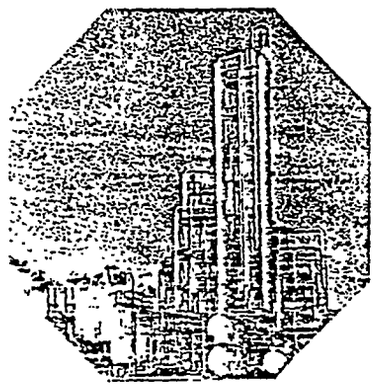
In Brazil the rate of inflation and the speed of currency devaluation is uncontrolled and there are no signs of improvement. Nevertheless the products of our associated companies are in demand and, in fact, could be sold in greater volume if available. All Brazilian companies face the problem of maintaining sufficient financial equilibrium to weather this storm. We believe we are sufficiently well organized there, with respect to our associated companies, to handle the problem of inflation, which we expect to continue for several months and perhaps even for one or two years.

Chile is making strong efforts to control inflation and stabilize its economy at present levels through price control and import restrictions. At one of our associated operations in Chile, Cementos Bio-Bio S.A.—the Chilean cement plant managed and partially owned by Koppers—production increases and cost reductions have been accomplished which will materially improve our competitive position in 1964.

metal products activities

Orders and shipments of a number of major Metal Products lines in 1963—including piston and sealing rings, Fast and Hotset couplings, fans, and Hoover-Swift corrugating machinery—exceeded the 1962 volume.

Our sales accomplishments during the year included an exceptionally large order for box making and [illegible]



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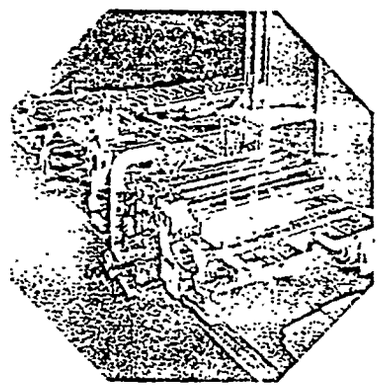


[illegible]

corrugating equipment, believed to be the largest single order ever placed for container machinery; and an order for our HOLSET couplings for a new and difficult steel mill application.

A long-range program of rearrangement and modernization of our facilities was completed in 1963. This program was accelerated during the year and plans previously scheduled for future years were telescoped into 1963. While the expenditures undertaken in connection with this program served to penalize our 1963 results, the Division enters 1964 with an appreciably lower controllable cost situation. Specific steps taken during 1963 to streamline our operations, to the maximum extent consistent with sales requirements, were:

1. Consolidation of our box making and corrugating operations—formerly carried out in two plants—at Glenarm, Maryland. This move means that our Bordentown, New Jersey corrugating operations will be discontinued during the first half of 1964.
2. Rearrangement of our piston ring and seal manufacturing areas, completed during the year. Accelerated efforts during 1963 in this area were directed towards a more efficient material flow, and a corresponding cost reduction, achieved through the setting up of in-line machining operations.
3. An overall modernization and cost control program, supported by 1963 capital investments totaling more than one and three quarter million dollars, the highest level in ten years. Major equipment items were added to increase both the quality of our products and the efficiency of our operations.

Total Division sales were up only [illegible] from 1962, but our total backlog of orders on hand as of December [illegible] than any year end since 1956. Metal Products Division enters 1964 in the most favorable competitive position it has enjoyed in recent years, in spite of unrelieved price pressures in many product lines.

plastics activities

The market for plastics continued to expand in 1963, and we were able to obtain our share of the overall industry gain.

Price pressures in a number of our product areas continued through the year. In the last two months, though, we have seen some indication of a reversal in this trend, and higher prices have recently been posted for some polyethylene lines.

The Sinclair-Koppers styrene monomer plant at Houston, Texas—operated jointly by Koppers and Sinclair Oil Corporation—continued to run at close to its designed capacity, and plans have been made to increase the capacity of this unit should increased demand warrant.

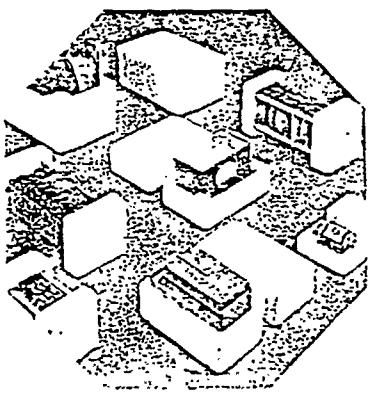
In the Spring of 1963, we completed an expansion of our styrene-butadiene latex plant at Kobuta, Pa., more than doubling our former capacity. These latices are used primarily in paper coatings, paints and rug backings.

We are currently completing another expansion at Kobuta, Pa.—the eighth in 10 years—in our capacity to produce the versatile foam plastic, DYLITE expandable polystyrene. Even as this latest expansion was underway, we further enlarged our plans and stepped up the increase in DYLITE capacity to a level 40 per cent higher than at the beginning of 1963.

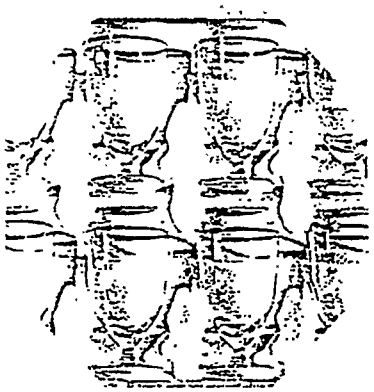
DYLITE sales continue to grow at a significantly high rate, as new applications expand its use in the packaging and construction fields, in the molding of hot drink cups, and in novelties and toys. DYLITE markets have experienced an average annual growth rate of 38 per cent over the past three years.

Our low density polyethylene plant at Port Arthur, Texas, was expanded during the year. This expansion gives us about a 15 per cent increase in total plant capacity. Preliminary plans are currently underway to further increase our polyethylene capacity by boosting the throughput of other production lines at Port Arthur.

Production of rigid, high density polyethylene at Port Reading, New Jersey was nearly doubled during 1963. Capacity at this plant has been increased greatly through adjustments in our operating methods, and through "de-bottlenecking" measures designed to realize the maximum output from our existing equipment.

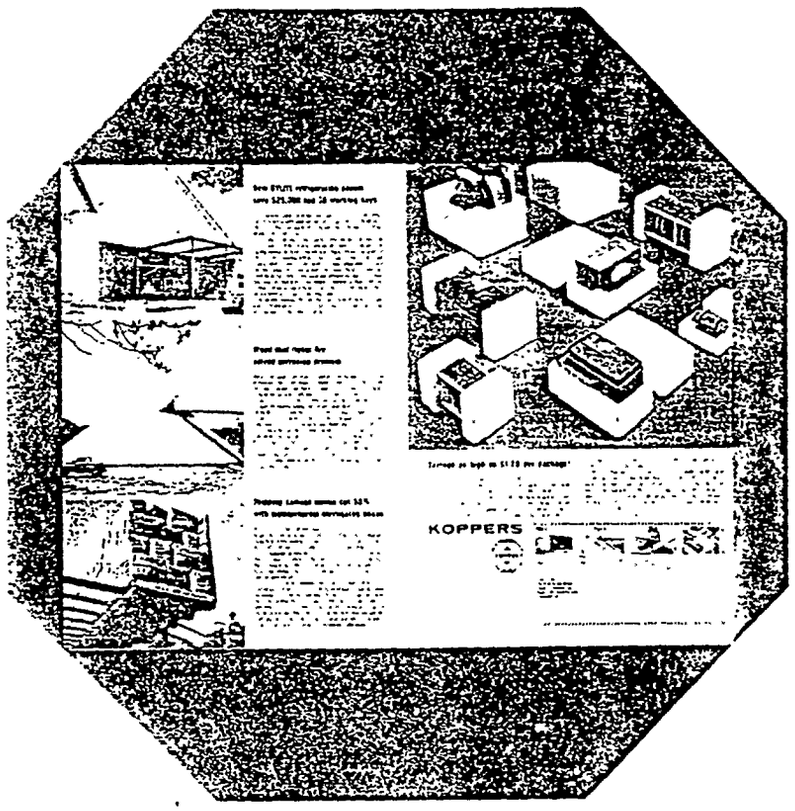


[illegible] DYLITE



[illegible] DYLITE

1963 CORPORATE ADVERTISING HIGHLIGHTS



Individual product stories from Koppers 1963 corporate advertising campaign are shown, in condensed form, on these two pages. Each tells of a new or interesting application of one of Koppers products. In the actual advertisements, as illustrated above, several products were featured and a more complete story was told than is presented here.

These two-page advertisements were directed to business executives through the pages of *Business Week*, *Forbes*, *Fortune*, *U.S. News & World Report* and *Wall Street Journal*.

For more information about the subjects discussed on these two pages, write [illegible]

1 **Wood beats corrosion in fertilizer warehouse**

Chemical fertilizers are highly corrosive, so when OLIN MATHIESON CHEMICAL CORPORATION replaced the old roof of their warehouse in Pasadena, Texas, they completely eliminated the corrosion problem by rebuilding with wood. They used pressure-treated wood decking and laminated wood arches, all lifted into place by a helicopter in one day.

The arches were laminated by [illegible] using WOLMANIZED® lumber, pressure-treated to provide permanent resistance to rot, decay and [illegible] insects.

was built with NON-COM® lumber that resists decay and provides automatic protection against fire.

2 **Does salt water always rust steel? Not here.**

This is the largest moveable drilling barge in the world. Called the "Ocean Driller," it can stand on the ocean floor, or, if moved to deeper water, *float* while it drills. The OCEAN DRILLING & EXPLORATION COMPANY of New Orleans specified coal tar coatings to protect its steel from corrosion. The undersides of the superstructure and main deck, the helicopter platforms and all potable water tanks were coated with BITUMASTIC® or BITUPLASTIC® coal tar coatings by AVONDALE SHIPYARDS, INC., the builders.

Because moisture will not penetrate or deteriorate coal tar coatings, they provide the most effective corrosion protection known to the construction, fabricating, and marine industries.

3 **Dylite® foam plastic saves $1.37 per package**

The product is a seismic galvanometer, made by THE GEOTECHNICAL CORPORATION, Garland, Texas, for equipment that monitors earthquakes and explosions. It's a delicate instrument that must have the best possible protection during shipment. It has it: a two-piece container made of DYLITE expandable polystyrene.

The new pack weighs 21 ounces less than the wood box and filler it replaced. It costs $1.37 less than the old box, and a shipper can pack ten of them in the time it used to take to pack one. The instrument is placed in a molded recess, then the top is strapped on. It's ready to ship with no additional labor.

This rigid, impact-resistant foam plastic can be molded in virtually any [illegible] to fit any product.

4 5 years on the river—no maintenance on Holset couplings

When the *Eastern* and its sister ship, the *Western*, were built for the UNION BARGE LINE in 1956, the couplings linking each ship's two engines to the gear boxes required lubrication and maintenance every few months, which resulted in considerable downtime. In 1958, they were replaced with HOLSET resilient couplings. The new couplings have been on the go for five years now, with no lubrication, and no maintenance. Because of this exceptional record, UBL again selected HOLSET couplings when they made replacements on a similar boat last year.

Koppers produces HOLSET and FAST'S couplings for virtually all applications where mechanical power must be transmitted from a driving to a driven shaft.

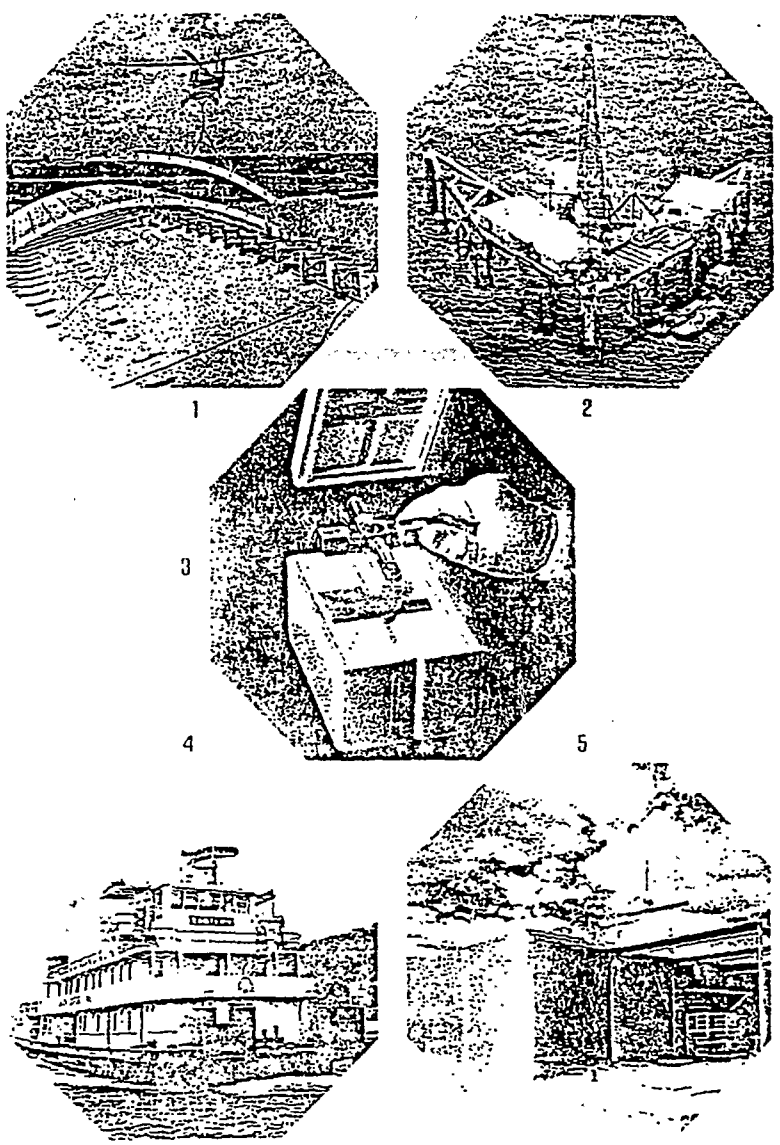
5 Dylite refrigeration panels save $25,000—30 working days

Five men erected the walls and roof of this 116,000-cubic-foot freezer warehouse in only five days! It was built with DYLITE® Refrigeration Panels for the Columbus, Ohio, branch of S. M. FLICKINGER, INC.

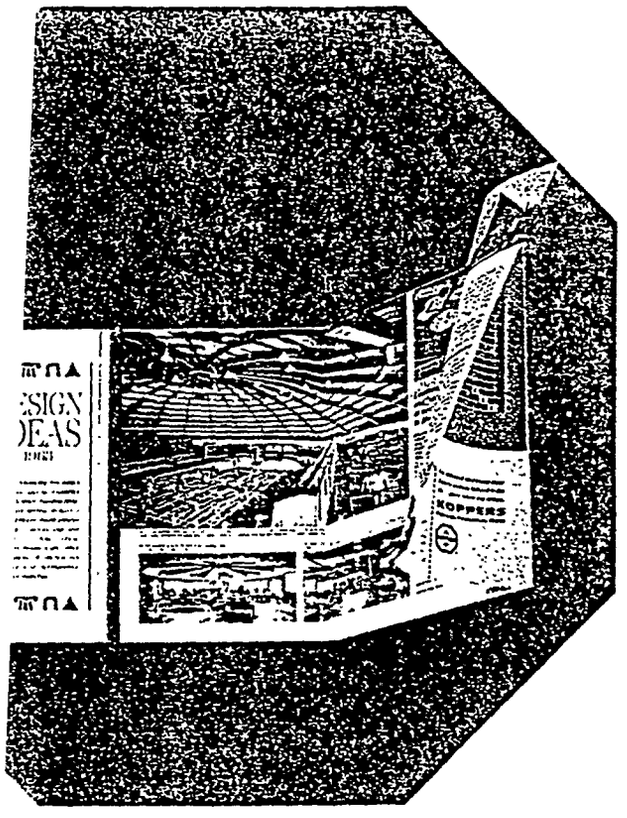
All the wall and roof panels were shipped to the job site ready to erect. Each consists of exterior and interior facing material, with a molded-in-place insulating core of DYLITE expandable polystyrene—a rigid, closed-cell foam plastic that is one of the most effective insulators known for this kind of construction.

The builder estimated that conventional construction would have cost $25,000 more, plus an additional 30 days' building time.

Koppers makes DYLITE Refrigeration Panels for any size refrigerated facility, from walk-in coolers to large [illegible]



1963 ARCHITECTURAL ADVERTISING HIGHLIGHTS



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are presented here.

n.

built-up roofs protect ges at Yale

Each of the colleges houses 250 students and contains dining halls, libraries, offices, and a separate master's house looking out to a walled garden.

The two dormitory buildings, two masters' houses and nearby cooperative store are all protected by Koppers coal tar pitch built-up roofs, constructed of alternate layers of coal tar pitch and tarred felt, and topped with gravel embedded in a heavy pouring of pitch.

7 Laminated wood arch spans 308′ at Kentucky college

This is not the *first* building to be made like this—just the biggest. The main diagonal span is 308′-3½″ and rises 71′ above the floor of the new $17 [illegible]-square foot Alumni Coliseum at Eastern Kentucky State College. This [illegible]-million athletic-dyn[illegible] pa[illegible]

[illegible] swimming pool wing.

The laminated Southern Pine arches, beams, and purlins that form the cross-vault dome were fabricated and erected by UNIT STRUCTURES, a department of Koppers.

The roof deck, covering the entire building, consists of 357,000 board feet of double tongue and groove 4″ x 6″ Southern Pine UNIT DECK®.

8 Coal tar coatings protect Minuteman missile sites

All of the steel piping and the hundreds of steel tanks—for fuel, water and sewage—buried deep under ground at the Minuteman missile sites near Minot, N.D., are protected from corrosion with coal tar coatings.

The exteriors of the large pipes and tanks were sandblasted, and coating began. BITUMASTIC® Jet Set Primer was applied, followed by a double coat of BITUMASTIC 70-B Enamel.

Coal tar coatings were specified for permanent corrosion protection in these vital installations because the molecular structure of coal tar doesn't deteriorate in the presence of water.

9 Precast insulated curtain wall used in Pitt towers

The new men's residence hall of the University of Pittsburgh consists of three circular towers, 15, 18 and 21 stories. The 63-foot-diameter towers give each student an outside room and accommodate 1,860 students. The precast concrete panels for the 70,000 square feet of curtain wall were finished to match the limestone of the University's other buildings.

Foam plastic board made of DYLITE® expandable polystyrene, a Koppers product, was selected for the panel insulation. Slabs of DYLITE 1½″ thick were sandwiched between two screens of steel wire reinforcing, then placed in the panel form. Concrete surrounds the entire DYLITE core.

DYLITE board provides permanent insulation [illegible] won't rot or decompose.

6

7

DESIGN
IDEAS

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Addr
City
State
Name of Company
Job Title

BOARD OF DIRECTORS

Walter P. Arnold
Executive Vice President
Koppers Company, Inc.

Joseph Becker
Former Vice President
Koppers Company, Inc.

Vance Brand
President
International Investment Company

Stanley N. Brown
Former Vice President
Koppers Company, Inc.

Fletcher L. Byrom
President
Koppers Company, Inc.

Fred C. Foy
Chairman of the Board
Koppers Company, Inc.

Arthur W. Knight
Director
Courtaulds, Ltd. (London)

Robert H. McClintic
Chairman of the Board
Gordon Lubricating Company

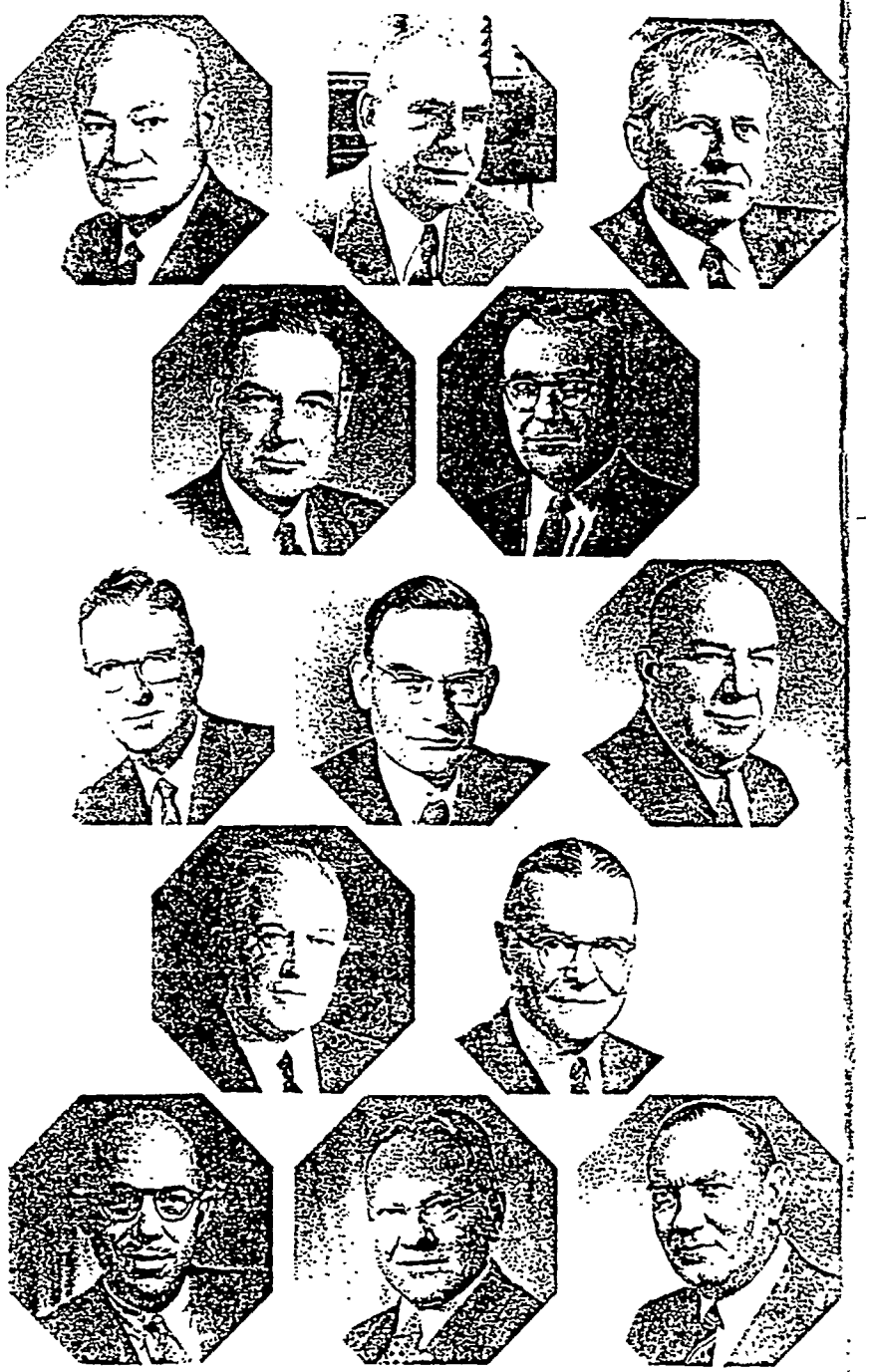
Richard K. Mellon
Chairman of the Board
Mellon National Bank & Trust Company

Lawrence N. Murray
Former President
Mellon National Bank & Trust Company

Robert S. Oelman
Chairman and President
National Cash Register Company

Arthur B. VanBuskirk
Vice President and Governor
T. Mellon & Sons

J. Albert Woods
Director—Various Corporations



company vice presidents

CHESTER E. BROWN
Assistant General Manager
Plastics Division

HARRY B. CUMMINGS
General Manager
Metal Products Division

FRED DENIG
International Division

H. A. DENNY
General Manager
Engineering and Construction Division

DANIEL LYNON, JR.
Corporate Growth Planning Group

DOUGLAS GRYMES, JR.
General Manager
Forest Products Division

J. D. JONES
Associated Operations

T. G. KEELING, JR.
Assistant General Manager
International Division

GEORGE W. NAYLOR
General Manager
International Division

JOHN E. SPEARS
Comptroller

other officers

JOHN M. CUMMINS
Secretary

WILLIAM P. RAINEY
Manager
Public and Community Relations Dept.

JOHN E. SPEARS
Treasurer

divisional and departmental vice presidents

W. A. ANDERSON
Engineering and Construction Div.

PAUL W. BARTON
Corporate Growth Planning Group

JOHN M. CUMMINS, *General Counsel*
Law Department

DONALD L. DEVRIES
Metal Products Division

ROBERT M. EAKIN
Engineering and Construction Div.

D. A. HAGAN
Engineering and Construction Div.

T. F. HALEY, *Manager*
Traffic and Transportation Dept.

MAX C. HANISCH
Forest Products Division

J. A. HARTZELL
Engineering and Construction Div.

JOHN H. HUSEMAN
Tar and Chemical Division

NICHOLAS KAY
Metal Products Division

W. EUGENE KOGER, *Manager*
Industrial Relations Department

DONALD MACARTHUR
Washington Office

J. C. MACON, JR.
Tar and Chemical Division

P. V. MARTIN
Engineering and Construction Div.

PAUL C. MCCONNAUGHEY
Tar and Chemical Division

E. J. MCGEREE
Forest Products Division

CARL H. POTTENGER
Director of Research

J. D. RICE, *Manager*
Procurement Department

FRED W. RYS
Engineering and Construction Div.

JOSEPH B. SCHMITT
Plastics Division

FRANK B. VARCA
International Division

B. OTTO WHEELEY, *Manager*
Marketing Department

JAMES P. WILLIAMS
Engineering and Construction Div.

R. C. WILSON
Engineering and Construction Div.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Koppers Company, Inc.

We have examined the accompanying consolidated balance sheet of Koppers Company, Inc. and consolidated subsidiaries at December 31, 1963 and the related consolidated statement of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Koppers Company, Inc. and consolidated subsidiaries at December 31, 1963 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Pittsburgh, Pennsylvania
January 21, 1964

Transfer Agents

Mellon National Bank and Trust Company
Mellon Square, Pittsburgh 30, Pa.

Bankers Trust Company
16 Wall Street, New York 15, N. Y.

Harris Trust and Savings Bank
111 W. Monroe Street, Chicago 90, Ill.

Stock Registrars

Pittsburgh National Bank
P. O. Box 746, Pittsburgh 30, Pa.

Morgan Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street, Chicago 90, Ill.

Dividend Disbursing Agent

Mellon National Bank and Trust Company
Mellon Square, Pittsburgh 30, Pa.

CONSOLIDATED STATEMENT OF INCOME AND EARNINGS RETAINED IN THE BUSINESS

Years ended December 31, 1963 and 1962
(See accompanying notes)

	1963	1962
Net sales	$292,834,388	$301,143,153
Operating expenses (Note 2)	225,020,846	236,829,391
Cost of sales	12,797,607	12,213,206
Depreciation and depletion	5,812,640	5,369,479
Taxes, other than income taxes	36,134,163	36,031,596
Selling, research, general and administrative expenses	279,765,256	290,443,672
Profit	13,069,132	10,699,481
Operating profit		
Other income	1,728,497	1,300,306
Dividends, (Note 1), interest and miscellaneous		
Profit on sales of capital assets	—	1,380,521
Operating plants	595,067	1,866,816
Other	2,323,564	3,247,643
	15,392,716	15,062,023
	1,238,994	1,238,987
Interest expense	14,153,722	13,823,036
Income before provision for income taxes		
Provision for income taxes	6,192,993	5,409,886
Federal (Note 5)	679,490	587,426
State and foreign	6,872,483	5,997,312
	7,281,239	7,825,724
Net income for the year		
	71,953,047	69,271,030
Earnings retained in the business at the beginning of period	79,234,286	74,096,456
Cash dividends paid:	600,000	600,000
On preferred stock, $4.00 per share	4,462,439	4,543,409
On common stock, $2.00 per share	5,062,439	5,143,409
Earnings retained in the business at end of period (Note 4)	$ 71,171,317	$ 71,953,047

...EMENTS KOPPERS COMPANY, INC. AND CONSOLIDATE...

CONSOLIDATED BALANCE SHEET

December 31, 1963 and 1962

See accompanying notes

ASSETS

	1963	1962
Current assets:		
Cash	$ 8,166,579	$ 7,702,886
Accounts receivable less allowance of $445,639 for doubtful accounts	50,540,522	24,366,878
Inventories (Note 3):		
Product inventories including work in process	38,139,141	30,564,617
Raw materials and supplies	9,347,498	8,878,912
Prepaid insurance, etc.	3,244,607	1,554,827
Total current assets	109,438,347	101,338,120
Investments at approximate cost and other assets:		
Investments in and advances to non-consolidated subsidiaries and 50% owned companies (Note 1)	12,125,332	13,455,999
Other investments (Current value at December 31, 1963—$791,000)	5,728,838	2,446,744
Notes and accounts receivable due after one year	7,688,779	6,757,148
	25,542,949	22,659,891
Fixed assets, at cost:		
Buildings and equipment	225,185,639	211,716,340
Less accumulated depreciation	145,685,746	135,526,306
	79,499,893	76,190,034
Standing timber and timberlands, less accumulated depletion	2,048,165	2,299,608
Land	5,996,871	6,433,459
	1,289,759	1,423,097
	88,834,688	88,346,198
Intangible assets, less amortization	254,450	319,688
Deferred charges		
	$221,070,434	$222,363,897

CONSOLIDATED BALANCE SHEET

December 31, 1963 and 1962
(See accompanying notes)

	1963	1962
LIABILITIES		
Current liabilities:		
Federal income tax	$ 4,584,708	$ 1,924,266
Other accrued taxes	2,787,283	2,500,518
Accounts payable and accruals other than taxes	25,503,751	23,737,161
Advance payments received on contracts	4,608,629	1,126,497
Term debt due within one year	505,460	174,606
Total current liabilities	37,989,831	33,005,048
Term debt due after one year:		
First Mortgage Bonds, 3% Series, due October 1, 1964 (Note 4)	11,413,750	11,902,500
Notes payable to banks due November 1, 1967 (Note 4)	10,000,000	17,000,000
Other	1,323,786	762,020
	22,737,536	29,664,520
Deferred compensation (Note 5)	821,783	740,289
Deferred income taxes (Note 5)	4,508,171	1,906,104
Total liabilities	66,057,321	65,316,961
STOCKHOLDERS' EQUITY		
Cumulative Preferred Stock, $100 par value:		
Authorized 300,000 shares; issued 150,000 shares, 4% Series	15,000,000	15,000,000
Common Stock, $10 par value (Note 6):		
Authorized 3,000,000 shares; issued 2,317,594 shares	23,175,940	23,175,940
Capital in excess of par value	49,676,274	49,737,842
Earnings retained in the business (Note 4)	74,171,847	71,953,047
	147,024,061	144,866,829
Less: Common Stock held in treasury, at cost (98,862 shares at December 31, 1963)	4,010,948	2,819,893
Common stockholders' equity	143,013,113	142,046,936
Total preferred and common stockholders' equity	158,013,113	157,046,936
	$224,070,434	$222,363,897

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Principles of consolidation and investments in affiliates.*

The consolidated statements include the accounts of the Company and all of its wholly-owned subsidiaries, except for one relatively immaterial company.

Based upon the latest available financial statements, in some instances as yet unaudited, the Company's equity in the net assets of non-consolidated subsidiaries and fifty-percent-owned companies at December 31, 1963 was approximately equal to the carrying value of the Company's investment therein. The Company's equity in the net loss for these companies for 1963 amounted to $320,000. During the year dividends of $462,894 were received and taken into consolidated income.

2. *Pension plans.*

The Company's contributions under their several trusteed pension plans amounted to $2,900,000 in 1963. The unfunded past service cost at December 31, 1963 was estimated at $14,700,000, which reflects an increase of $1,680,000 resulting from increased benefits.

3. *Inventories.*

Inventories aggregating $5,287,477 are stated at cost on a last-in, first-out basis which is less than current replacement cost. All other inventories are stated at the lower of average cost or market.

4. *Notes payable to banks.*

In its Bank Credit Agreement entered into in 1963 the Company has agreed not to pay cash dividends or make other distributions on common stock except from consolidated income after December 31, 1962 plus $7,500,000 and to maintain consolidated net current assets of at least $30,000,000. At December 31, 1963, $65,705,670 of consolidated earnings retained in the business was not available for cash dividends on common stock under these provisions. Interest on the notes is at the prime rate in effect at the beginning of each fiscal quarter and at December 31, 1963 was 4½%.

Under the Agreement the notes outstanding on November 1, 1966 can be converted into term notes, 50% of which will be payable in nine semi-annual installments commencing May 1, 1967 and the balance on November 1, 1971.

The Company intends to borrow additional funds under the Agreement to redeem its First Mortgage Bonds at their maturity on October 1, 1964.

5. *Income taxes.*

The Company provides deferred income taxes for the excess of guidelines depreciation claimed for tax purposes over book depreciation, estimated taxes payable upon eventual transfer of earnings of consolidated foreign subsidiaries to the parent company, the portion of the investment credit not resulting in permanent tax savings, deferred compensation and estimated additional costs of long-term contracts which are deductible for income taxes when paid. In the balance sheet the provisions for the first three items are included in deferred taxes and the provisions for the latter two items are netted against the related liability accounts.

6. *Stock option plans.*

During 1963 under the Company's restricted stock option plan for officers and key employees, options to purchase 40,900 shares were granted at prices of $38.50 and $39.50 per share, options on 2,400 shares were terminated, options on 5,900 shares expired and 8,900 shares were issued from treasury stock on exercise of options at prices ranging from $32.50 to $36.50 per share. At December 31, 1963 options covering 105,900 shares were outstanding and are exercisable over a period of seven years from dates of grants at prices ranging from $32.50 to $45.00. At December 31, 1963 options on 6,920 shares were available for future grants under the plan. The $61,568 excess of cost of treasury stock over the proceeds received upon exercise of options during the year was charged to capital in excess of par value.

7. *Commitments and contingencies.*

The 1964 rentals on properties operated by the Companies under long-term leases will amount to approximately $1,700,000. In addition the Companies are required to pay taxes, insurance, repairs and maintenance and alterations under certain of the leases.

The Company has guaranteed $3,800,000 indebtedness of other corporations.

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