

Description of Koppers Business

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944 under the laws of the State of Delaware. On November 10, 1944, it succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907, to design and build chemical-recovery coke plants for the American steel industry. The accounts of all subsidiaries listed on page 56 are consolidated with Koppers financial statements for reporting purposes. References in this report to the business or accounts of "Koppers" or "Company" include the parent company, the listed subsidiaries on page 56 and certain other, small subsidiaries not listed.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This accounted for as much as 40% of the Company's annual earnings. It was a cyclical business that had a disconcerting roller-coaster effect on the Company's growth prospects.

In 1965, the Company began to build a manufacturing organization that would produce consistent earnings growth and thereby reduce Koppers dependence upon the steel industry capital investment cycle. Koppers today is a diversified manufacturing corporation offering specialized engineering and construction capabilities that, over the past five years, have accounted for less than 10% of the Company's total operating income. Headquartered in Pittsburgh, Pennsylvania, it has 279 operating locations and makes more than 100 types of products.

These are sold into numerous end markets; the primary end markets are listed on page 10.

Pursuit of the Company's objective to expand its manufacturing businesses to achieve consistent earnings growth has been characterized by rising levels of capital investment. The chart on page 2 shows the significant growth of the Company's capital expenditures, financed principally through retained earnings and a prudent increase in the level of debt.

This expansion program has increased the total investment in Koppers operating units from \$190 million in 1964 to \$763 million at the close of 1978. The tables at the start of each group discussion in this section indicate the level of investment in each business segment. In addition, the operations of Koppers business segments are described in this section.

As the result of Koppers aggressive investment program, total manufacturing sales have grown each year since 1965. The accompanying chart analyzes Koppers sales growth from an internal and external growth standpoint. The 14-year performance of operations that compose Koppers today—shown by the three lower sections of the chart—traces an annual average compounded growth rate of 13% since 1964. Excluding sales contributed by all acquisitions since 1964, Koppers internal growth rate has averaged 9.5% per year. The manufacturing portion of this internal growth has averaged 10% per year since 1964.

Koppers earnings have improved in 11 of the 14 years since Koppers began expansion of its manufacturing base, growing at a 13% average annual rate.

Koppers Sales Growth—Internal vs. External
(\$ Millions)
\$1,600

