

and of plasticizers for plastics); resorcinol (used primarily to produce adhesives used in rubber tires and laminated wood); anti-oxidants (used in rubber, plastics and other products); and a group of intermediate chemicals, primarily coal tar acids, (used to make many other chemical products.)

Coatings and Resins Division is a growing supplier of polyester resins (used in glass-reinforced and nonreinforced plastics); bituminous coatings (for underground pipelines, tanks and severe industrial applications); and chemical-based coatings (used on swimming pools, water storage tanks, sewage treatment facilities and marine and industrial applications).

Building Materials Division makes cold-applied roofing and maintenance products to supplement high-performance roofing and waterproofing products based on pitches (used primarily on commercial and industrial structures).

Other subsidiaries manufacture polyester button blanks and buttons and other lines related to protective coatings, roofing and waterproofing systems.

Raw Materials and Fuel

Organic Materials depends heavily upon coal and coal-derived products for raw materials. Most coal tar processed is purchased from steelmaking operations, under contract arrangements with varying periods and conditions. Purchasing agreements cover such other important raw materials as coal, benzene, orthoxylene and additional materials from the petrochemical industry.

Arrangements for long-term commitments of raw materials from various sources of supply have been made in the past and will continue to be made. On the basis of existing arrangements, it is not expected that there will be any major disruption of business in 1979 as a result of shortages of raw materials or energy. About 40% of Organic Materials energy needs are supplied by natural gas, 30% by fuel oil and nearly 20% by coal; other sources supply 10%.

Competitive and Seasonal Conditions

Most of Organic Materials products are sold in highly competitive markets. Except for certain proprietary items, there are at least five or six suppliers of identical products in all business areas, as well as competition from alternative materials performing the same function and a substantial quantity of imported material. The principal factors in competition are price and product performance. In a number of cases, service also is important. In certain product lines, Koppers has an advantage because of multiple production locations or because the manufacturing plant is located near the markets it serves. In others, Koppers has an advantage because of captive-use opportunities within the Group or other Koppers operations.

Although the major portion of Organic Materials business is not affected by seasonal variations, winter weather does reduce volume in certain roofing, coating and other construction product lines. In addition, severe winter conditions have disrupted chemical plant operations in past years, which temporarily dampened sales.

Organic Materials products are generally marketed nationwide through the Group's sales organization, although certain lines are marketed through independent distributors and agents.

Substantial inventories of critical raw materials and finished products are maintained, but it is not the practice to carry customer inventories or to provide financing.