

KOPPERS / 1969 Annual Report

PENGAD-Bayonne, N.J.

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Men and Ideas . . . looking to the 1970's

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KOPPERS

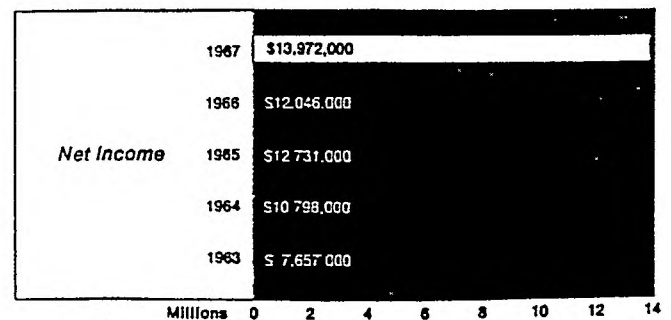
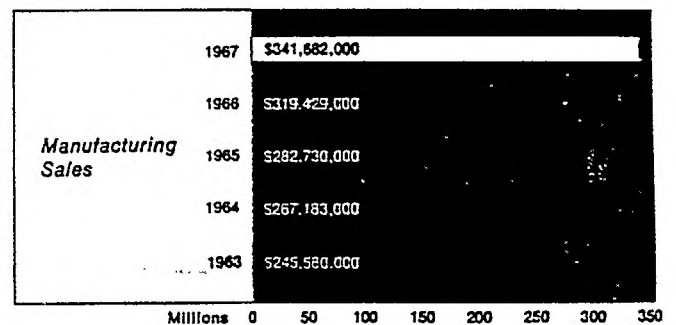
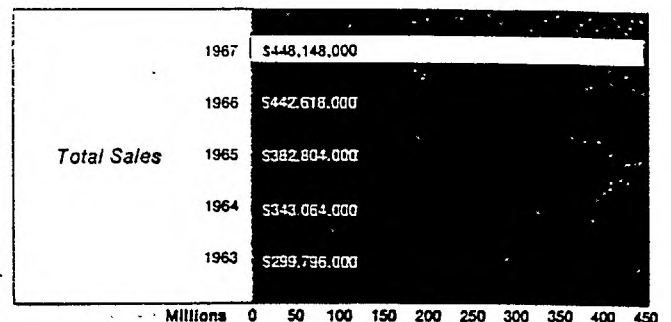
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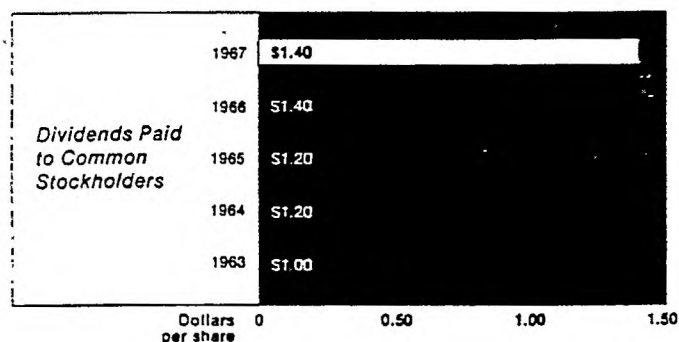
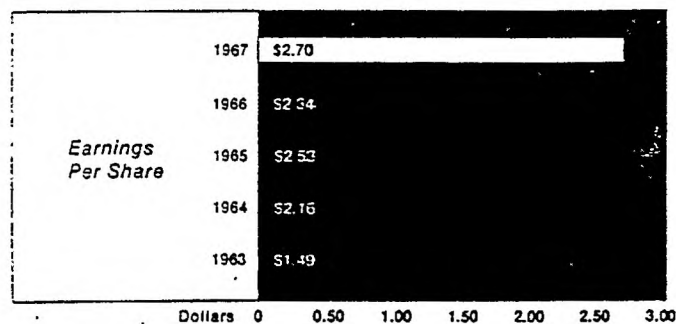
Location for Annual Meeting:

The next annual meeting of the stockholders of the Company will be held at 11 a.m. on March 25, 1968, in the Chatham Ballroom, on the second floor of the Chatham Center office building, Pittsburgh, Pa.

Five Years at a Glance*



KOPPERS



*Results prior to 1967 have been restated here and throughout this Report to reflect the merger of Buffalo Slag Co., Inc. into Koppers in 1967 on a pooling of interests basis.

A New Look In the Markets We Serve

The continuing growth that Koppers is experiencing today is the result of strategic planning that was initiated in the early 1960's.

Since then, the Company has re-directed its marketing efforts to the end that the great majority of its sales volume is achieved in the more significant growth markets of the economy.

In 1967, sales of products which we did not sell in 1960 accounted for about \$127 million or 28 per cent of total Company sales.

New facilities have been built and existing capacity modernized to support growing product lines.

Improved, more integrated marketing strategy among all units of the Company is making itself felt in all key markets.

An essential part of this marketing strategy is to speak with a single clear voice wherever Koppers is represented. The new design of the Company signature, used on the cover and throughout this Report, and the new corporate brochure, "The Competences of Koppers," that is included, illustrate the nature of this new strategy.

January 29, 1968

To Our Stockholders:

Koppers sales and earnings for 1967 exceeded those for 1966 despite the effects of major strikes in some key markets, softening of prices in certain product areas, and heavy start-up and relocation costs associated with new plant investment.

Net income for the year was \$13,972,000, up from \$12,046,000 in 1966. After payment of preferred dividends, earnings were equivalent to \$2.70 per share of common stock outstanding, compared with \$2.34 in 1966. These income figures for 1967 include \$727,000, or 15 cents per share, resulting from a year-end reduction in Federal income taxes realized from a net operating loss accumulated over several years by Universal Moulded Fiber Glass Corp. This tax benefit partially offsets development costs incurred in the fiber glass reinforced plastics segment of our business in 1967.

Total Company sales in 1967 were a record \$448 million, compared with \$443 million in the previous year. Manufacturing sales continued a healthy growth trend and more than offset a \$16 million decrease in engineering and construction sales from a record level in 1966. Our construction business was again profitable in 1967 following its first loss year in 1966.

Record Expansion Program

In 1967, Koppers invested \$30.1 million in plant construction, expansion and modernization and in new domestic and overseas investments. During the period 1965-1967, \$108.7 million—over twice the average annual investment level in the five years prior to 1965—has been invested in

Koppers made substantial progress in 1967

Net income was up 16 per cent

Total sales were a record \$448 million

Sales of manufacturing operations were
up 7 per cent, to \$341.7 million

New manufacturing capacity substantially
expands capability for continued growth



Fred C. Foy

Douglas Grymes

Fletcher L. Byrom

F. L. Byrom Succeeds F. C. Foy As Chief Executive Officer

Fletcher L. Byrom, president of Koppers since 1960, was elected to the additional position of chief executive officer of the Company as of January 1, 1968. He succeeds Fred C. Foy who has served as chief executive officer since 1955.

Douglas Grymes, executive vice president since December of 1966, was elected to the additional position of chief administrative officer of the Company, to succeed Mr. Byrom.

The action was taken by the Board of Directors on the recommendation of Mr. Foy in order to provide for an orderly transfer of chief executive responsibilities. Mr. Foy reaches Koppers mandatory retirement age of 65 in January of 1970. Mr. Byrom is 49 and Mr. Grymes is 53.

Mr. Foy will continue as board chairman, a position he has held since 1958.

new manufacturing facilities to enable Koppers to take full advantage of its leadership potential in rapidly growing markets.

- In the plastics operations, the annual capacity of Sinclair-Koppers plants has been considerably more than doubled—from 870 million pounds to about 2 billion pounds currently—and a strong raw material supply position has been established.

- Substantial new chemical and tar

processing capacity has been added and existing facilities have been modernized.

- Capacity increases of from 30 to 50 per cent have been effected in power transmission couplings, corrugating and box-making machinery, and industrial piston rings.

- The Company's capacity to treat wood by newer processes and to produce laminated wood structural products has also been substantially increased.

KOPPERS

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Koppers Sales Reached a New Record in 1967

(Sales in Thousands of Dollars)

NET SALES BY DIVISION*	1967	1966	1965	1964	1963	1962
Organic Materials†	\$122,484	\$116,371	\$105,481	\$ 92,504	\$ 95,537	\$103,844
Forest Products	93,793	88,363	75,690	68,511	57,920	51,907
Metal Products	68,490	59,450	51,973	40,754	37,194	37,153
Plastics Operations‡	46,110	44,656	36,977	61,794	54,929	52,423
Associated Operations	10,805	12,589	12,409	3,620		
TOTAL MANUFACTURING	\$341,682	\$319,429	\$282,730	\$267,183	\$245,580	\$245,327
Engineering & Construction	105,427	121,828	98,233	74,908	52,352	61,880
Other Sales	1,039	1,361	1,841	1,573	1,864	1,064
TOTAL	\$448,148	\$442,618	\$382,804	\$343,064	\$299,796	\$308,071

*Sales from International Operations are included in the appropriate divisions above. Sales for 1955 and 1959 have been restated to include two wholly-owned foreign subsidiaries.

†Formerly Tar and Chemical Division; Includes sales of Buffalo Steg Co., Inc. for all years.

‡Starting in 1965, Koppers' half share of Sinclair-Koppers sales is included in this category.

1967	1966	1965	1964
\$100,863	\$105,587	\$ 97,204	\$ 95,211
42,082	47,166	45,860	41,610
34,348	31,092	28,470	25,207
51,617	52,652	50,537	43,248
—	—	—	—
\$228,910	\$236,497	\$222,071	\$205,276
49,865	72,105	27,315	61,659
965	764	632	598
\$279,740	\$309,366	\$250,084	\$267,533

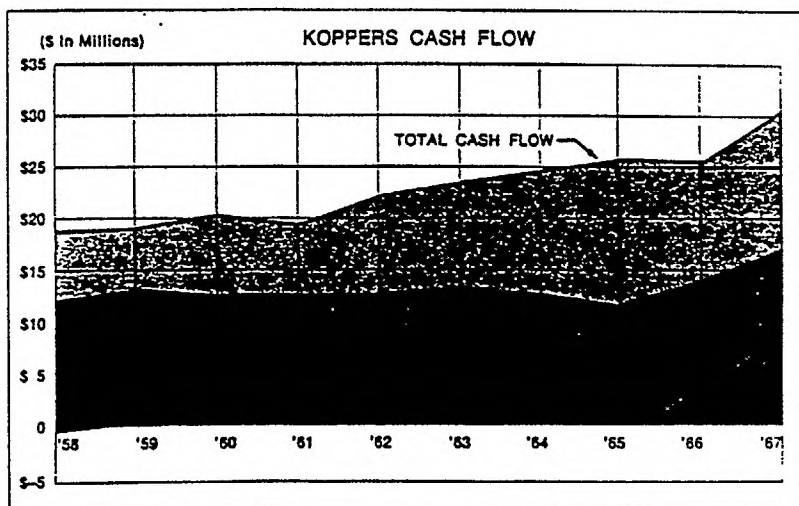
Current Stockholders: 16,959

Employees: 13,178

Plants: 125

To sustain the momentum generated by this record expansion program, future capital expenditures are likely to continue at this higher plateau, financed principally with funds from Koppers increasing annual levels of depreciation and retained earnings.

In 1968, capital expenditures and investments will be in the area of \$30 million. Most of this investment will be in new or expanded facilities for such products as polyester resins, low-density polyethylene, phthalic anhydride and styrene. The expansion of Koppers newer wood treating processes will also continue in 1968.



Investment Credit

Koppers investment credit in 1967 amounted to 57 cents per share, reflecting the completion of a number of major plant units during the year. It was 28 cents per share in 1966.

Financing

Long term financing was arranged during 1967 to provide the flexibility needed to help insure continued growth. On August 1, the Company entered into an agreement with a group of institutional investors to

■ EARNINGS TO COMMON STOCK
■ DEPRECIATION & DEPLETION
■ DEFERRED INCOME TAXES



take \$50 million in Koppers Company notes. These notes will bear interest at the rate of 6 per cent per annum and are due in 1992 with repayment to start in 1977. As of year-end 1967, \$26 million of these funds were drawn down. An additional \$12 million was received in January of 1968, and the balance will be received on or before April 1, 1968. The funds have been and will be used to repay bank loans which had been drawn down on the Company's former \$65 million revolving credit agreement.

This latter agreement was concurrently revised so that Koppers can borrow up to \$40 million on a revolving basis until September 1, 1969. At that time, the amount borrowed becomes a term loan to be repaid in semiannual installments over the next five years.

Other Financial Matters

Total Koppers common stock outstanding at the end of 1967 amounted to 4,956,628 shares. In December of 1967 the Company issued 265,671 previously authorized but unissued common shares for use in the acquisition of the Buffalo Slag Co., Inc. (see discussion on page 10).

Common stockholders received total dividend payments of \$6.8 million (\$1.40 per share) during 1967,

The "Palace of Poles," as featured in LIFE (Feb. 2), dramatizes the versatility of wood treated by the CELLON process. This unique, five-level Greenwich, Connecticut home has an intricate structural system of 150 beige-coated CELLON utility poles. This proprietary Koppers process protects the poles from decay, yet leaves the surface of the wood clean, dry and unchanged in appearance. The central living room (below) illustrates the natural warmth and interesting interior design created by the 40-foot timbers.

compared with \$6.7 million (\$1.40 per share) in 1966. Dividends totaling \$600,000 were paid to preferred stockholders.

Cash flow from operations during the year—consisting of earnings applicable to common stock, depreciation, depletion and deferred income taxes—totaled \$30.8 million, equal to \$6.22 per common share. This compares with cash flow of \$25.8 million, or \$5.27 per share in 1966.

Inventories on December 31, 1967, amounted to \$66.2 million, compared with \$61.9 million at the end of the prior year. Receivables at year-end 1967 totaled \$87.7 million, as against \$94 million on December 31, 1966.

Personnel

We continue to accelerate efforts to obtain the qualified people needed for our growing company. Internal management development activities are increasing and intensified recruiting efforts on college campuses and in other areas are showing good results.

During 1967, labor negotiations were successfully carried on at 29 plants, resulting in mutually agreeable work contracts. In 28 of these settlements we were able to establish agreements of two or more years duration. There were just four work stoppages during the year which, while unfortunate, had no major effect on operations.

Company Backlog

The Company's backlog on December 31, 1967, was \$223 million, compared with \$246 million at the end of 1966. The manufacturing backlog was relatively unchanged. The construction backlog was reduced during 1967, but remains at a substantial level and is in excess of a full year's construction sales at the 1967 rate.

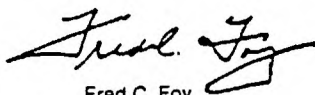
Source and Disposition of Funds (In Thousands of Dollars)

<i>Source</i>	<u>1967</u>	<u>1966</u>
Net Income	\$13,972	\$12,046
Depreciation and Depletion	17,368	14,065
Increase in Long-term Debt	4,519	33,669
Decrease in Other Assets	<u>6,241</u>	<u>9,786</u>
	\$42,100	\$69,566
<i>Disposition</i>	<u>1967</u>	<u>1966</u>
Dividends Paid	\$ 7,365	\$ 7,275
Capital Expenditures and Investments..	30,118	48,742
Increase in Working Capital	<u>4,617</u>	<u>13,549</u>
	\$42,100	\$69,566

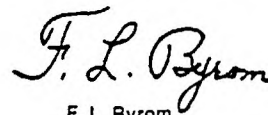
Outlook

The effects of Koppers record 1965-1967 capital investment program will begin to be reflected more significantly in our 1968 sales and earnings. The heavy start-up costs which we experienced in 1967 are behind us. This will serve to offset other

factors that will affect our 1968 performance such as higher depreciation charges, a substantially lower investment credit, and the possibility of a tax increase. With all factors considered, we expect the Company's sales and earnings in 1968 to show continued improvement.



Fred C. Foy
Chairman of the Board



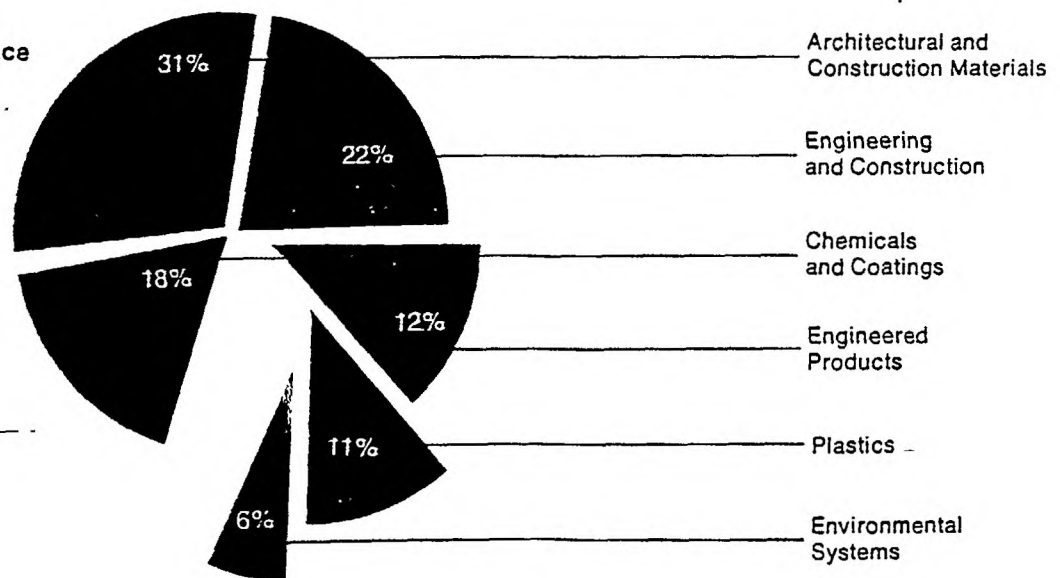
F. L. Byrom
President

A New Design for Marketing

It is no longer true that people will beat a path to the door of the man who makes a better mousetrap. And it is equally valid that the "new" Koppers described in the brochure, opposite, will not achieve optimum results, unless the Company makes every reasonable effort to communicate its "newness." This must be done with present and potential customers, current and prospective employees, financial institutions and the investing public and, in short, with anyone whose business or other interests in any way influence the future of Koppers.

Consequently, the Company embarked on a program two years ago to redefine its capabilities in more meaningful and useful terms. This analysis resulted in the identification of six broad areas of competence which now form the basis for Koppers current marketing strategy. These are:

1967 Sales
by Competence



The new distinctive design of the Company's signature, as illustrated in this Report and the booklet on the opposite page, is the unifying symbol of these diverse areas of competence.

The logo consists of the word "KOPPERS" in a bold, sans-serif font, centered within a white circle. This circle is set against a dark, grainy rectangular background that is framed by a thin white border.

KOPPERS

An essential characteristic that distinguishes a company from all others is the nature of the particular skills and capabilities that have evolved during the course of its development. This booklet is designed to reflect the particular areas of competence that best describe Koppers today, and to suggest how you may employ these skills in your own activities.

The competences of **KOPPERS**

Architectural and
Construction Materials

Plastics

Chemicals
and Coatings

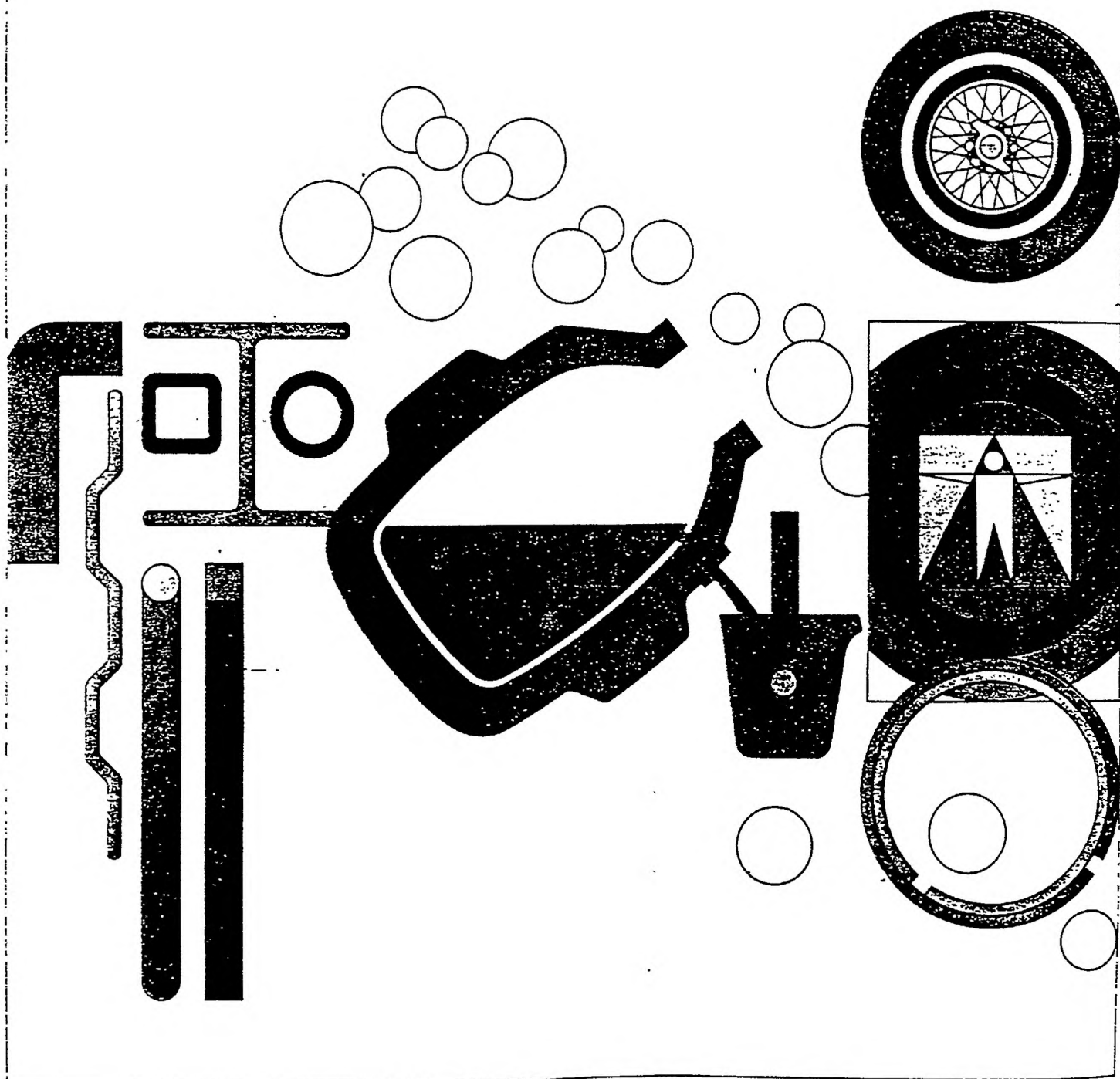
Engineered
Products

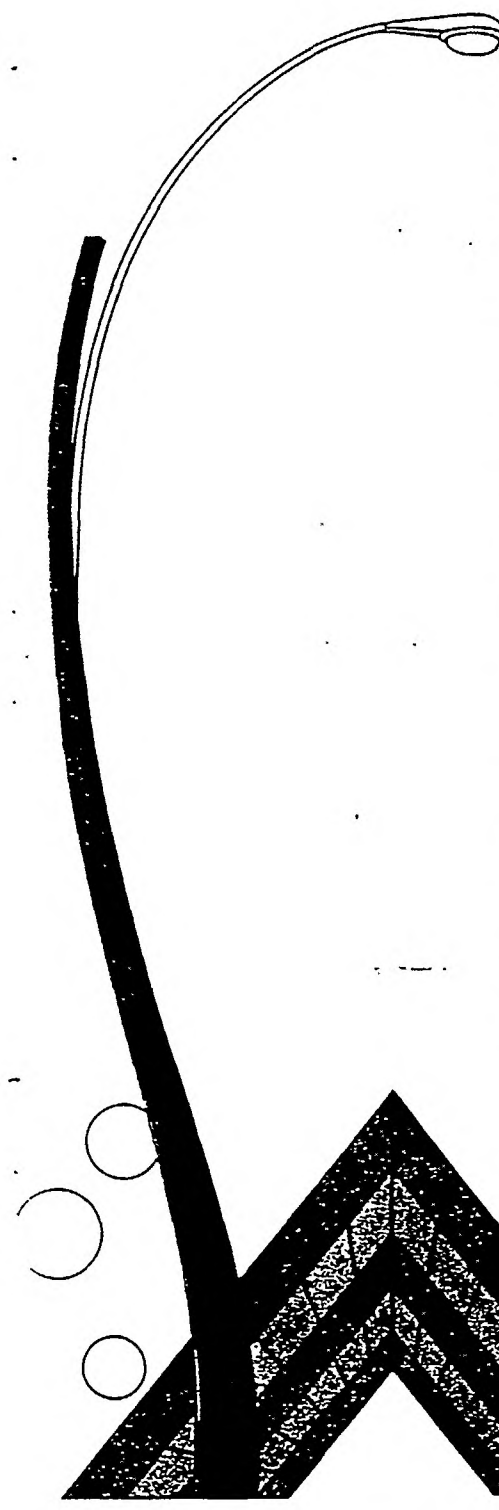
Environmental
Systems

Engineering
and Construction

KOPPERS

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Some people know Koppers as a chemical company. Others classify it as a building materials manufacturer. An important part of American industry thinks of the Company as a maker of precision-machined metal products. You perhaps think of Koppers as an organization of engineering and construction experts.

Koppers is all of these, but it is also a great deal more.

Some people who once knew all about Koppers hardly recognize the Company today. Koppers has grown and changed.

Koppers today is highly diversified, with more than 125 major products supplying 34 of the nation's 85 major industrial and consumer market classifications.

This diversification provides a springboard for continuing expansion into related fields. It gives a degree of insulation against the effects of sudden technological change or deterioration in any one market.

The Company's operations are closely related to the essential requirements of our customers and have evolved logically from Koppers earliest capabilities. Each new product has been developed to supplement a competence area in which the Company is already a leader, or one where it is well on its way to achieving a position of leadership.

Before examining Koppers capabilities, here are a few facts and figures about the Company:

- Headquartered in Pittsburgh, Pa.
- Annual sales now approaching a half-billion dollars
- One of the 200 largest U. S. industrial corporations
- About 17,000 stockholders and more than 13,000 employees
- More than 70 sales offices in most major cities
- Over 100 plants, located in 32 states, Canada, western Europe, Australia, and Central and South America
- Marketing operations in 67 foreign countries
- One of the most modern and best-equipped industrial research centers in the world

The Company was organized more than 50 years ago as a construction organization. As recently as 1960, it was often thought of as primarily an engineering and construction firm. This area of the business, however, today represents just one part of a large, growing company.

KOPPERS

'667 ANNUAL REPORT

Koppers has experienced a significant transformation over the years.

Most of the Company's quarter billion dollars of assets and invested capital is now applied to manufacturing. Sales of Koppers manufactured products have increased at an average rate of 10 per cent per year thus far in this decade.

During this same period 88 new products have been introduced that now account for an important part of annual sales.

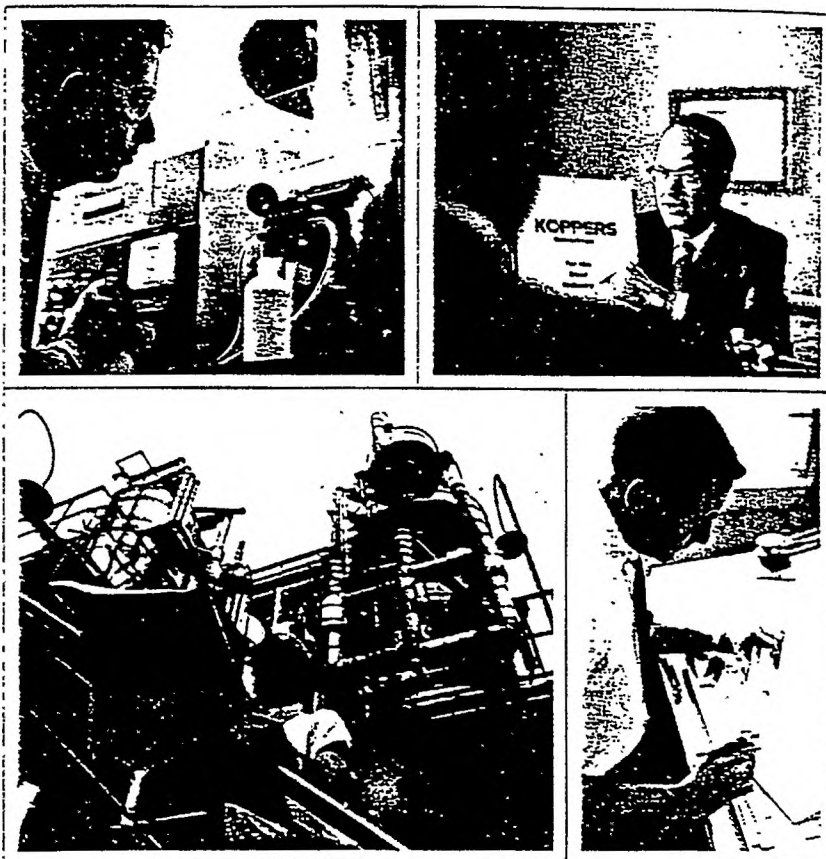
During 1965, '66 and '67, over \$100 million has been invested by Koppers in an expansion and modernization program to provide additional capacity and higher efficiency in many of its existing or newer product lines.

About 70 per cent of product sales are concentrated in markets that are expected to grow over the next ten years at a faster average rate than that of the national economy.

Thus, the strong emergence of manufacturing is a major factor leading to the present diversified structure of Koppers.

The following pages describe each of six major areas which are the base for Koppers strength . . . and its continued growth. The six areas are:

- Architectural and Construction Materials
- Plastics
- Chemicals and Coatings
- Engineered Products
- Environmental Control Systems
- Engineering and Construction

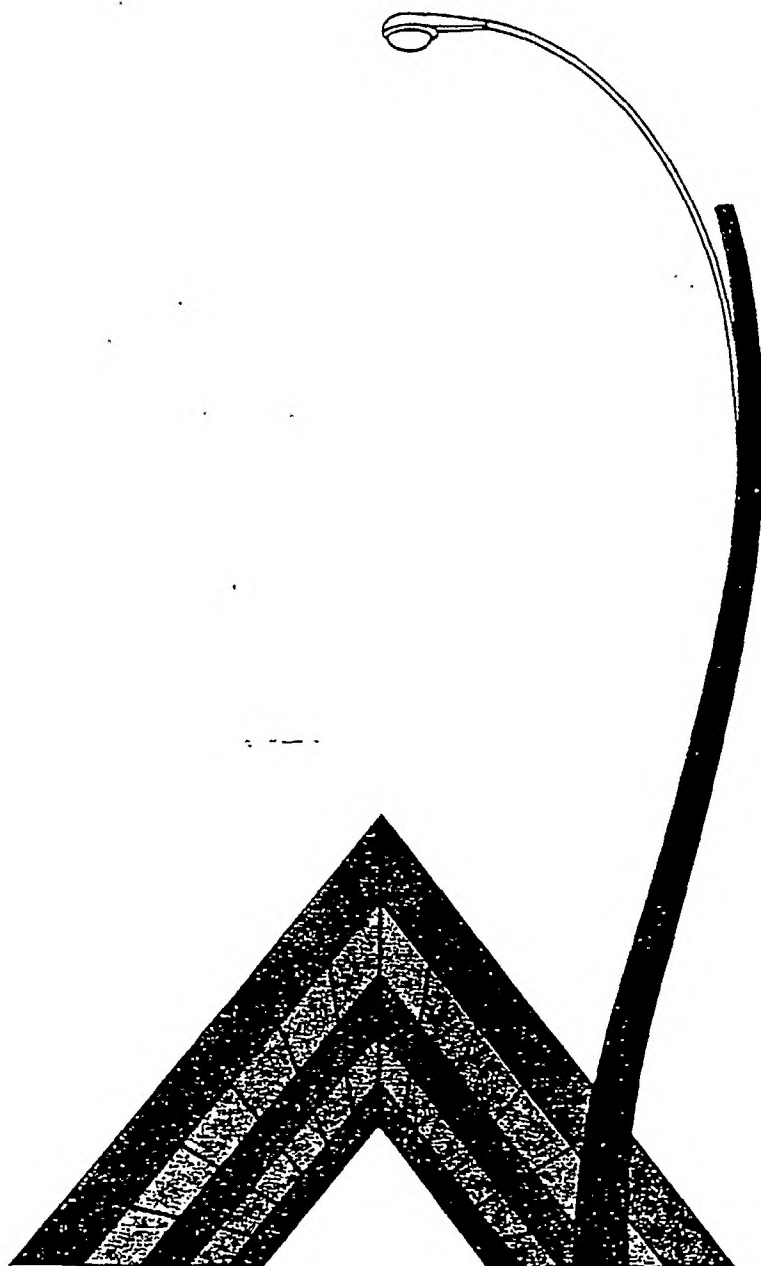


The measure of worth of any company is determined best by the caliber of its employees. In every successful company there is a vital two-fold need: to find and use the best capabilities of its people, and to attract other talented men and women. Only a growing company, offering opportunities and challenges, can keep its top-flight people or attract capable, new individuals to its ranks.

The competence of Koppers people is the reason for the Company's growth, and for its appeal to people who want an opportunity for added responsibility—and challenge.

KOPPERS

Architectural and
Construction Materials



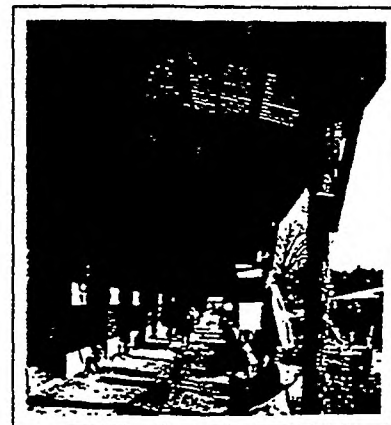
Koppers know-how in the field of architecture and construction is evident in products that are either permanent in themselves or that give permanence to other materials of construction. These products provide advantages over competitive materials and enable customers to realize economies in three ways:

- Savings in construction costs
- Savings made possible by latitude in design
- Savings through reduced maintenance costs over the life of a structure

About 40 per cent of Koppers manufacturing sales are accounted for by architectural and construction products.

A significant part of Koppers competence in this area comes from the Company's ability to upgrade and protect wood to make it an even more versatile and durable construction product. Koppers is a pioneer in this field. Wood is impregnated with Koppers chemical formulations to make it resistant to fire, insects, moisture, mildew, fungus, and various soil conditions. Wood is also

*NON-COM wood—an important safety factor
in race track stables and livestock structures*



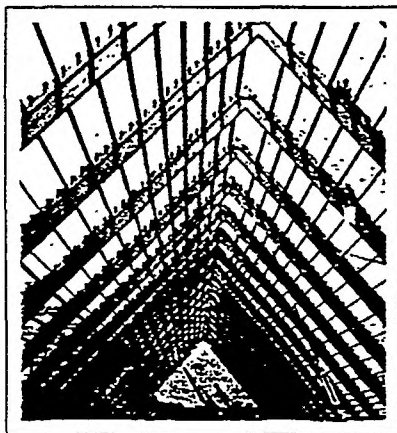
Architectural and Construction Materials

laminated by Koppers to give it flexibility in shape and to enable wood's beauty and strength to be used in a growing number of applications.

Architects have long considered laminated wood beams, arches, trusses, columns, and roof decking as attractive and highly functional structural elements. They have used them with dramatic effect in churches, schools, and institutional and commercial buildings. Now industrial builders have found that these components are economical as well as functional in many types of buildings, especially where wide, clear spans with unobstructed interior spaces are desired, and where the threat of corrosion is a problem.

Koppers has pioneered in the technology of laminated timber construction, and has led in bringing forth new and imaginative structural designs. Laminated structural products are easily erected, are highly fire-resistant, will not corrode and have a great strength-to-weight ratio.

Koppers laminated wood products provide wide, clear spans for industrial structures



With 28 plants in 25 states, Koppers is also the world's largest supplier of chemical-impregnated wood. During this decade, our total forest products business, on the basis of new processes and investment, has been growing at about twice the rate of the lumber products industry.

One of the most recent of these new processes is the CELLON treatment, which provides the deepest preservative penetration yet achieved to give wood long-lasting protection against insects and decay. Unlike most other treating processes, the CELLON treatment leaves the wood with a clean, natural appearance.

The use of CELLON treated utility poles is growing. Lighting standards available in many attractive colors are produced using laminated CELLON treated wood. So are our pre-wired, colored street light poles, designed for use with underground residential wiring systems. New stadiums in Atlanta, Washington, and New York have seats made of CELLON treated wood. It is being used in roof decks, electric utility transmission lines, marinas, sign posts, outdoor furniture and in many other ways.

NON-COM fire retardant lumber and plywood provides built-in protection against the spread of fire. The four nationally-recognized, model building codes, as well as the codes in most major cities, recognize NON-COM lumber as a full alternate to non-combustible materials in high-rise apartments and office buildings. It is also being used to protect wood structural and roofing systems in fertilizer and chemical storage facilities and has aided in reducing fire insurance costs on structures of this type.

A new fire-retardant process has been developed by Koppers which has opened the way for a greater use of Western red cedar shingles and shakes on the roofs of apart-

ments, motels, churches, schools, restaurants, resort structures and other light construction without the high insurance schedules required for untreated materials.

WOLMANIZED lumber—wood that has been pressure-impregnated with WOLMAN preservative salts—has a broad range of applications in industrial, residential and farm structures. Millions of board feet are now used as sub-flooring and roof decking, and in greenhouses, stadium seats, boardwalks, floor sills—wherever lumber is exposed to insects, mold growth, and rot.

The oldest and most conventional treatment is impregnating wood under pressure with creosote. This type of treatment is saving the country many millions of dollars each year by providing wood products with many years of protection against termites and decay.

Koppers has been the nation's foremost supplier of creosote-treated railroad cross-ties, utility poles, fence posts, foundation and marine piling, and construction lumber for over 30 years.

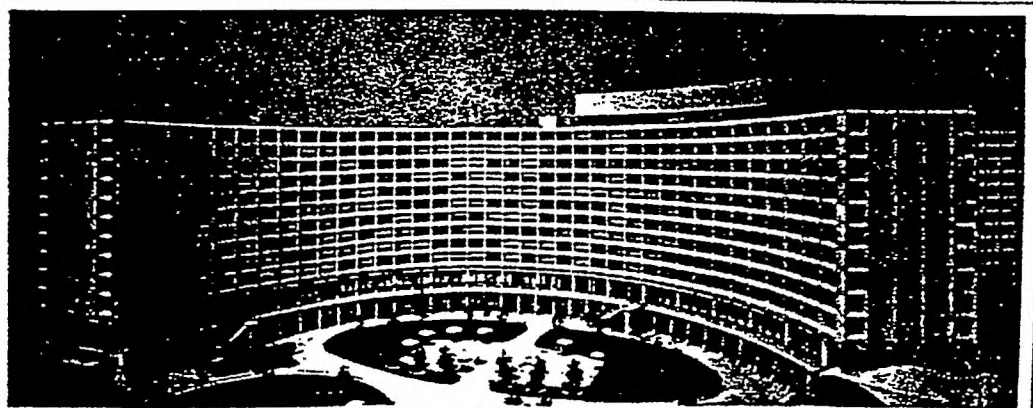
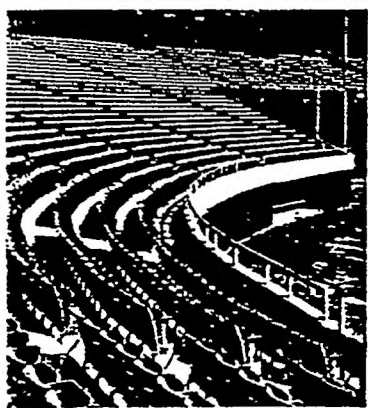
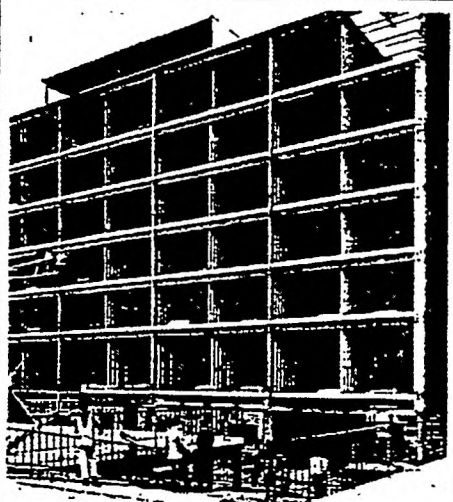
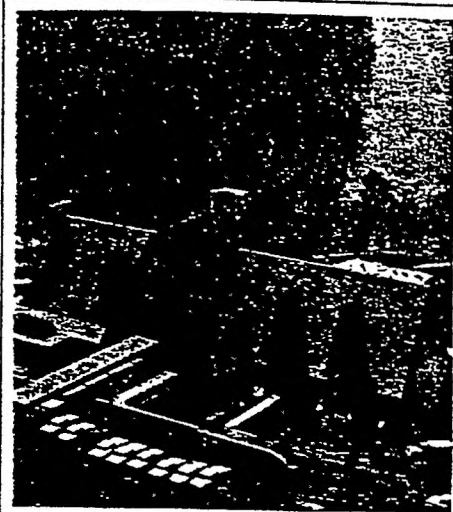
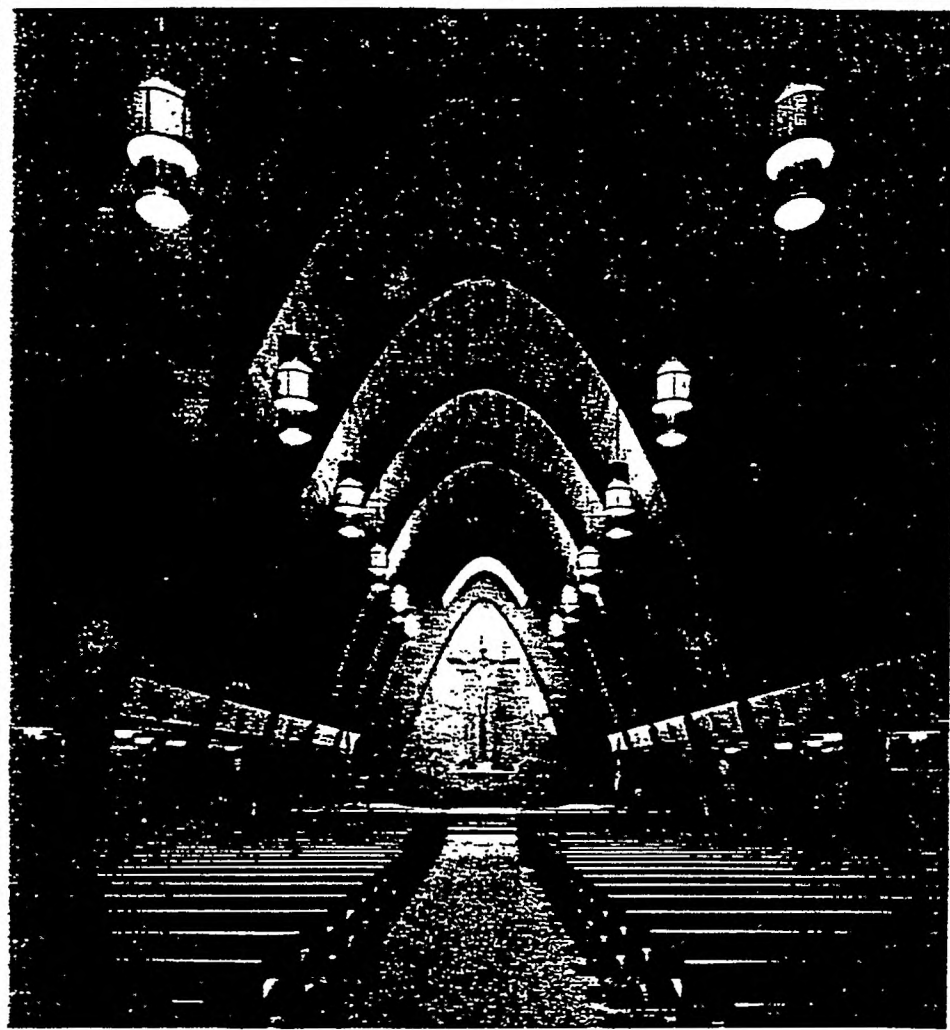
Top left—Laminated wood arches give a warm, dramatic effect to church interior

*Top right—clockwise
Fire-retardant shakes and shingles provide attractive shadow lines on roof of resort structure*

NON-COM studs used in walls of high-rise motel

Washington Hilton protected by Koppers built-up roof

CELLON treated seats in new Atlanta stadium



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Architectural and Construction Materials

Other Koppers construction products are used to make structures impervious to water.

Flat and low slope roofs are constructed from Koppers coal tar roofing materials to keep rain and other elements out. The alternate layers of tar and tar-saturated membrane in a Koppers roof provide the type of long range protection that can be bonded against leakage for up to 20 years.

Applied to foundations, Koppers waterproofing materials protect against attack by moisture from below. The alternate layers of cold-applied tar and fabric supplied by Koppers provide a moisture barrier that insures the structural integrity of the foundation and keeps areas such as underground parking garages free from seepage.

Asphalt pavements are given long-lasting protection from damage caused by water, oil drippings, and gasoline spillage, by Koppers pave-

ment sealer. This coal tar coating is used to protect and beautify residential driveways, parking lots, gasoline stations and airport runways.

Koppers supplies the growing highway construction market with a broad line of road materials including road tar and asphalt, asphalt emulsions, and aggregates.

A new type of flooring material produced by Koppers looks like terrazzo, but surpasses all of terrazzo's advantages: attractive appearance, wear resistance, ease of maintenance. The difference is that the colorful marble chips are held in a polyester resin rather than cement. This high-luster material is produced in 12" x 12" tiles or is poured and finished in such areas as building lobbies, stores, hospitals, or any high-traffic area where impact- and stain-resistance is needed.

A number of Koppers reinforced plastic (RP) products are basically construction materials. RP pipe is used in the construction of industrial processing plants and effluent systems. RP structural shapes are spe-

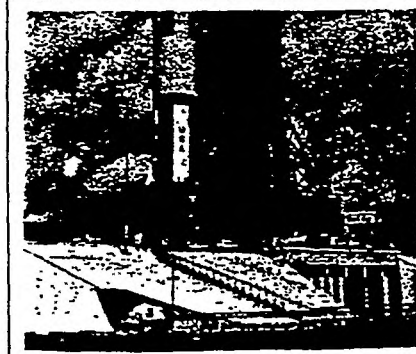
cialized building products, of great value where extreme corrosion is a constant problem, where a high strength-to-weight ratio is important, where a material is needed that will not conduct electricity nor interfere with electronic signals, or where an unusual shape or design is desired that is not possible with more conventional materials.

Koppers experience with so many basic materials of construction—wood, plastic, steel, reinforced plastic, and chemicals—and with its competence in the technology of architectural products and construction, gives the Company a unique position from which to serve this vast field.

Top left—Koppers pavement sealer protects asphalt parking areas

Lower left—Foundations and underground facilities at Cape Kennedy kept moisture-free by Koppers waterproofing materials

Below—Koppers high-luster polyester flooring material—for high-traffic areas



KOPPERS

Plastics

Koppers knowledge in plastics is primarily concentrated in thermoplastic resins and glass-reinforced plastic products and thermosetting resins.

Thermoplastics are a family of plastics that become soft when exposed to sufficient heat and then harden to a desired shape when cooled. Our participation in this field is through a partnership—the Sinclair-Koppers Company.

Sinclair-Koppers is a totally integrated plastics producer with a production capacity that has been doubled during the past three years. This has enabled the Company to continue as one of the prime competitive forces in the growing U. S. thermoplastics industry.

Sinclair-Koppers plastics are sold to the molders and extruders of thousands of plastic products that are so commonplace in so many ways, in so many places—in kitchens and toy chests, in drug stores and supermarkets, in hospitals and industrial plants. DYLITE foam plastic is perhaps the most widely recognized of these materials.

This is a truly exciting material. It is produced as small, white beads. These expand and fuse together under steam and pressure to form a cellular foam plastic that can be molded to almost any shape. DYLITE weighs as little as 13 ounces per cubic foot, yet it is strong and shock-absorbent. It sheds water. It insulates well. It imparts no taste.

DYLITE has achieved outstanding success in the throwaway hot and cold drink cup market. Billions of these cups are used each year. In the form of sheet, DYLITE is used in trays to package meat and produce sold in many food stores. It is also

being widely used to mold packaging for such delicate articles as glassware, cameras, stereo sets, and electronic components. DYLITE is being used in ice buckets and picnic coolers; in small boats and flotation items and as a core material for insulated building panels.

Sinclair-Koppers is the nation's major producer of this expandable polystyrene foam plastic. The Company's capacity to produce this amazing material, along with other styrene-based products, is more than 300 million pounds per year.

ABS plastic is a high quality, high performance material which Sinclair-Koppers has trademarked DYLEL. It has excellent impact resistance and is easy to chrome plate which is important for such applications as telephone cases, auto grills, appliance housings and many others.

Regular polystyrene, called DYLENE by Sinclair-Koppers, is the rigid plastic used in radio and TV cabinets and housings for many other appliances. It is also used in containers, packaging, toys, housewares, lighting fixtures and a broad range of products.

DYLEX latex, the fourth member of the styrene-based group of materials, is most familiar as the main ingredient in latex water-based paints. It is also used in coatings for fine papers and in tufted carpeting to bond the tufts to the rug backing.

KOPPERS

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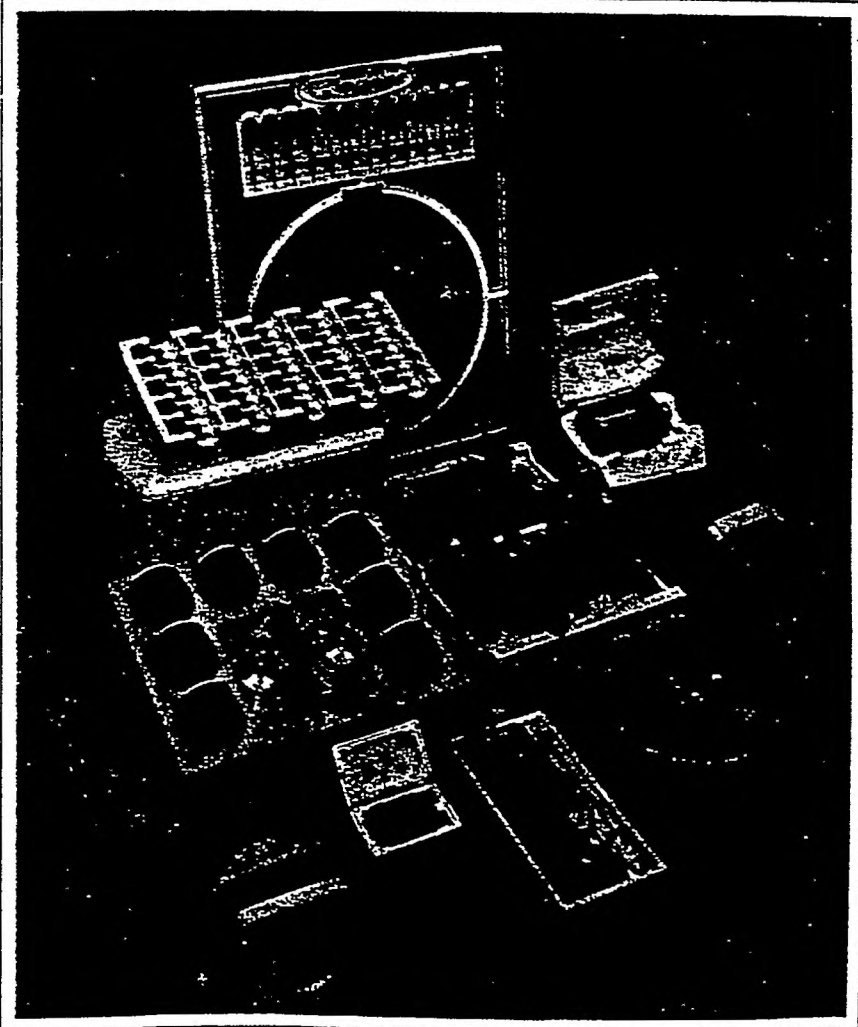
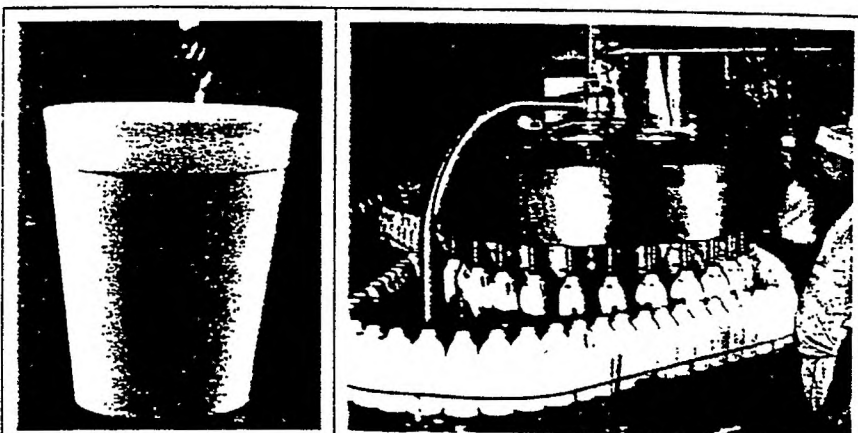
Plastics

Sinclair-Koppers also has facilities to produce over 200 million pounds annually of the high- and low-density polyethylenes—a plastic family that one leading trade publication has called “a fantastic success story for the chemical industry.”

DYLAN is a family of low- and medium-density polyethylenes—the familiar “squeeze bottle” type of soft, flexible plastic. These are used in various industrial parts, sheeting, toys, housewares, and bottles. DYLAN also is used by Sinclair-Koppers to produce DURETHENE polyethylene film, widely used in packaging soft goods, produce and many other items. The film also finds broad use in construction and agricultural operations.

Sinclair-Koppers produces another type of plastic now gaining increased acceptance by U. S. housewives: SUPER DYLAN high-density polyethylene, being used to make non-returnable plastic milk bottles. The volume of polyethylene for these new milk containers could dwarf the amount going into such other fast-growing applications as bleach and detergent bottles, beverage cases, bottle closures, film and sheeting, and automotive parts.

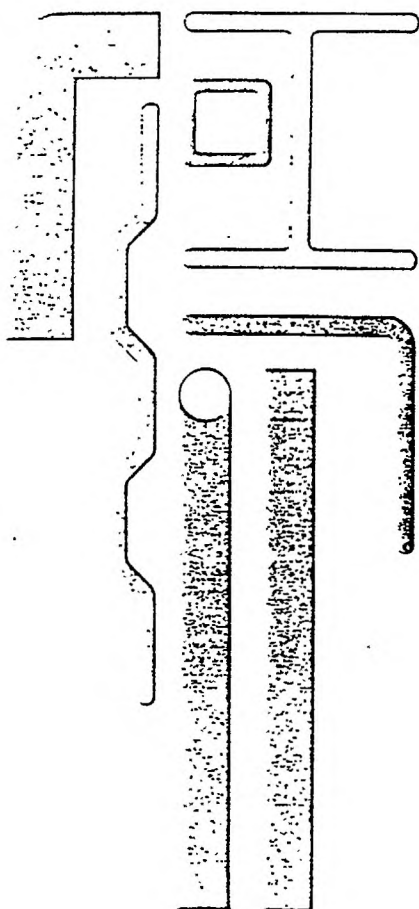
With a new plant capable of turning out 500 million pounds of ethylene each year, and with other new facilities providing styrene monomer and ethylbenzene, Sinclair-Koppers will be able to supply its own raw material requirements for the foreseeable future.



Top left—DYLAN hot and cold drink cup

Top right—For greater convenience—non-returnable plastic milk bottles

Right—The wide world of DYLAN—many uses for a highly versatile material

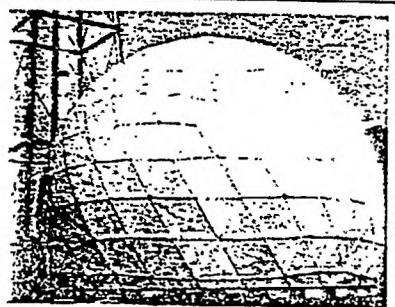


The technology of glass fiber reinforced plastic (RP) has advanced beyond its infancy, but already it has made a whole new family of engineering materials possible, and has found its way into hundreds of products. Reinforced plastic has a high strength-to-weight ratio. It has exceptional resistance to corrosion, moisture and impact. It is an excellent electrical insulator. Molding and fabrication is relatively easy.

The variety of RP products being produced by Koppers is growing rapidly. It includes pipe for the oil and chemical processing industries; pressure vessels; and a line of standard structural shapes we call extrudex. These shapes include structural bars, I-beams, angles, channels, tubing, sheets, electrical insulators, and raceways for electrical conduits. A number of other RP products have been specially designed by Koppers for use in electrical distribution systems. In another area, the Company produces large front sections for truck bodies in which the hood and fenders are molded in one section.

Koppers efforts in the RP field are focused on the newer areas of technology: filament winding of tubular products; continuous extrusion of shapes and angles; and a corresponding capability in spraying and matched metal-finishing of various parts.

Curiosity is an emerging field, a further strengthened one. Koppers has developed the capability to produce polyester resins, the epoxies, thermosetting plastics reinforced with fibers of glass. Thermosetting plastics take permanent shape when heat and pressure are applied and they will not soften when reheated.



For more information on Koppers products and services, contact Koppers Company, Inc., 1000 North 10th Street, P.O. Box 1000, Erie, Pa. 16512. Phone: (412) 833-1000. Telex: 250000 KOPPERS.

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Chemicals
and Coatings

Koppers is the nation's largest producer of coal-based chemicals. We are also in the corrosion prevention business. The Company markets a broad line of protective coatings and coating resins used in a multitude of applications—from underground pipelines to the interior of the Statue of Liberty.

Most of Koppers chemicals are recovered from the distillation of coal tar, a by-product of the coking process. They are used in our own operations and by other chemical processors to produce anti-oxidants, resins for coatings, solvents, gasoline and lube oil additives, and in the production of paints, herbicides, phenolic resins, disinfectants, and countless other products.

Within its chemical operations, Koppers is

one of the major U. S. producers of phthalic anhydride—an important industrial chemical used in plasticizers, alkyl resins for paint, polyester resins, dyes, insect repellents and pharmaceuticals;

a significant producer of resorcinol, a specialty chemical used in adhesives for the lamination of wood and in bonding the rubber tread to the tire cord in nearly every rubber tire made;

a major supplier of creosote, used in our own forest products operations and sold to other wood treaters to pressure-impregnate wood to protect it from termites, decay and fungus;

the nation's largest producer of electrode binder pitch (one pound of pitch is used in the production of seven pounds of aluminum).

Koppers chemical operations have provided a strong base for its corrosion prevention capabilities.

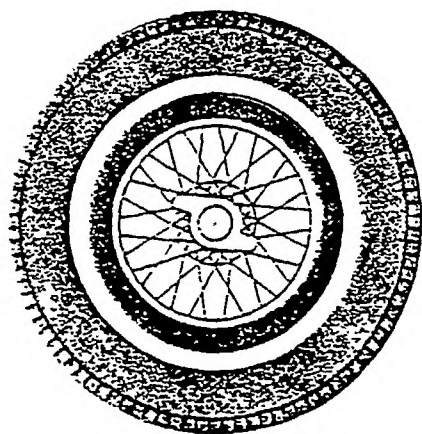
Bitumastic coal tar coatings have been marketed for over 50 years and are accepted as the standard coatings for underground pipelines and for protection against many severe corrosion problems in other

industrial and marine applications. Water, gas, and petroleum pipelines and storage tanks, protected by these coatings, have been dug up for inspection after 30, 40, and over 50 years of service—and a single defect has been found.

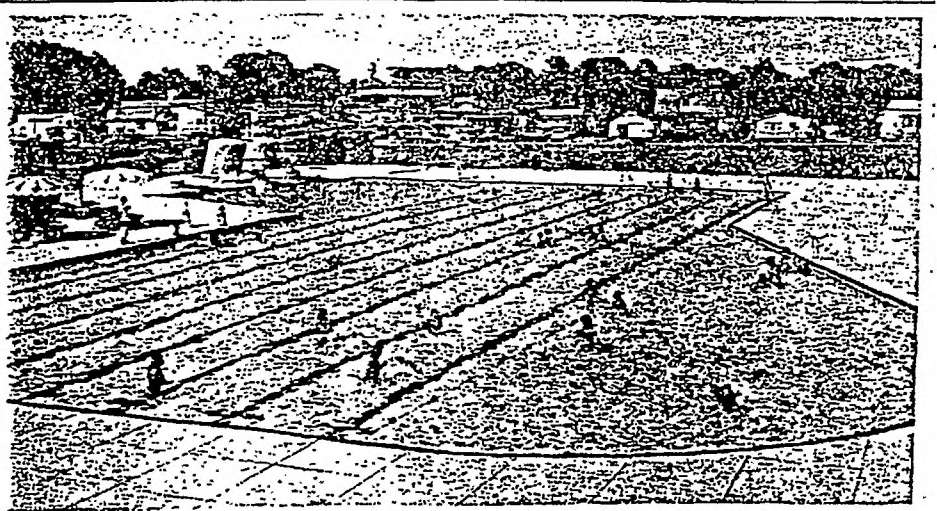
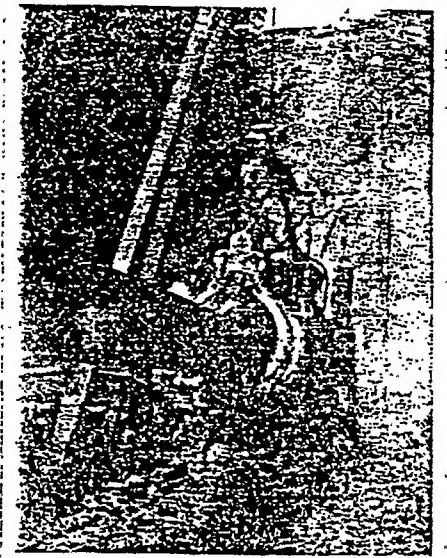
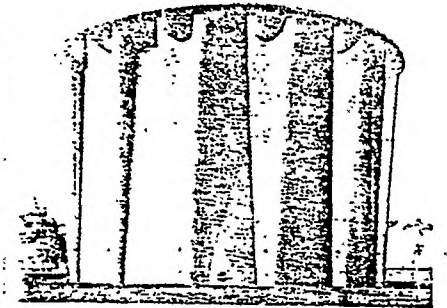
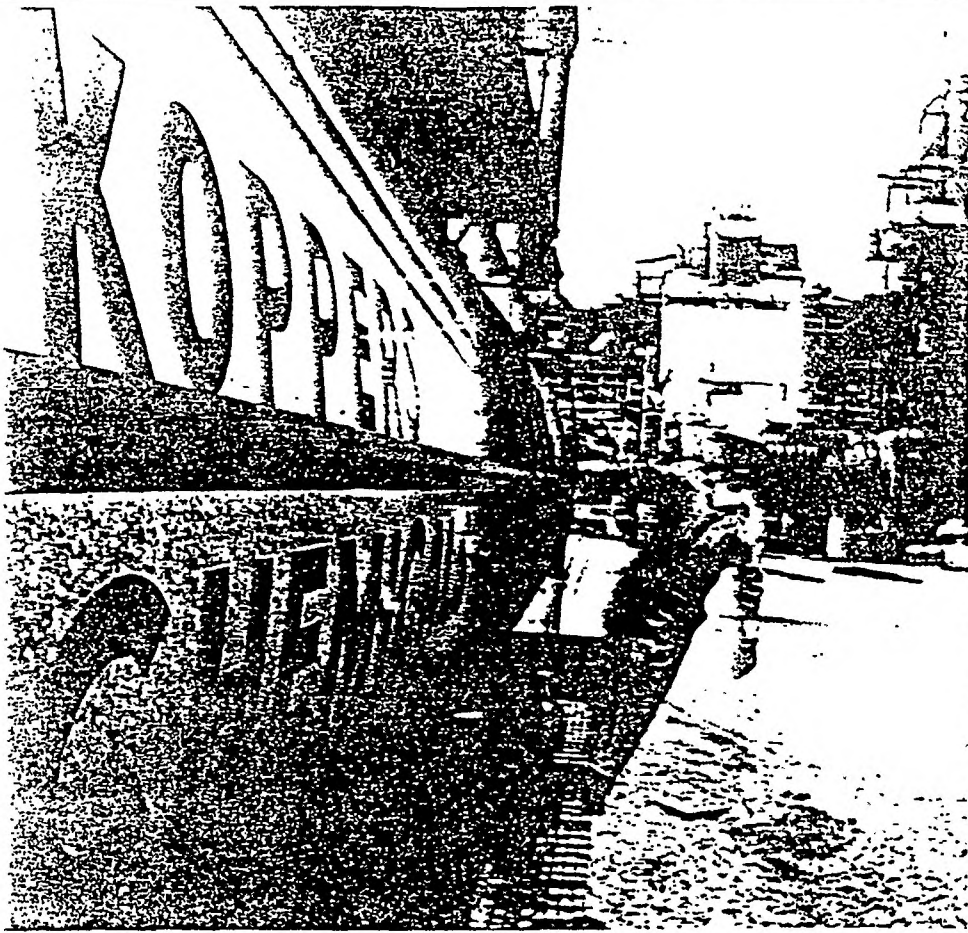
Where an especially attractive appearance is also important, Koppers' broad line of colored bitumen-based coatings can fill the bill. They are available in over 20 color shades. They can be produced using such bases as epoxy, alkyl vinyls, acrylics, chlorinated rubber, or zinc-rich formulations to provide protection against a wide range of corrosive elements.

INERTOL coatings from Koppers are well-known in the water and sewage treatment field. They are also widely used in the steel, petroleum, chemical, and pulp and paper industries. They protect and beautify storage and process tanks, pipelines, buildings and walls, structural steel masonry and concrete surfaces and many other types of installations.

This extensive corrosion prevention know-how has also been marketed in the recreation field where Koppers swimming pool paint, RAMUC enamel, has become recognized as the leader in the field.



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Koppers is a member of the
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and the American Petroleum
Institute.



KOPPERS

AN IRVING-CLOUD COMPANY

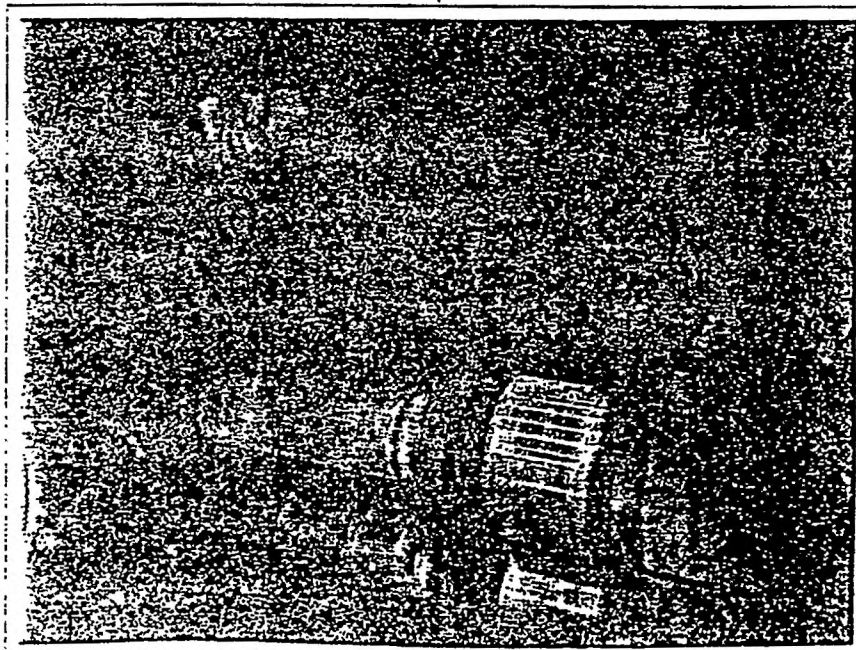
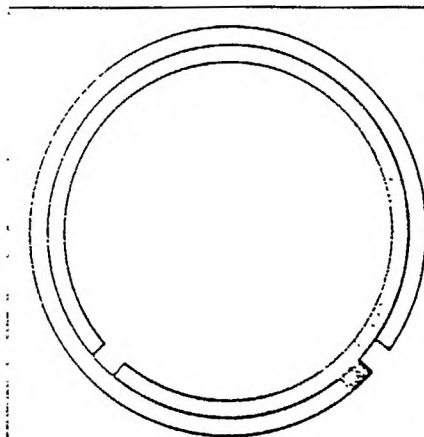
KOPPERS

Engineered
Products

Koppers was originally built on a knowledge of design and engineering. This basic capability is evident in many areas of the Company's manufacturing output today.

Koppers engineering competence is particularly strong in the metal-working field. The Company has earned a position of leadership in several areas where we continue to develop proprietary products.

Koppers, for example, is one of the world's largest producers of industrial piston and sealing rings. These include piston rings for high-speed diesel engines, medium- and large-bore diesel and dual fuel engines, sealing rings for jet aircraft engines, rings for hydraulic cylinders and both lubricated and non-lubricated compressors.



Top—Koppers design and sealing rings— for such tough industries as defense and construction equipment.

Middle—Corrugated boxes produced by Koppers container machinery.

Bottom—Koppers produces and transmits power in steel and aluminum.



Koppers flexible coupling business is the largest in the world. (Couplings are used to transmit power from one rotating shaft to another, and to compensate for misalignment.) These couplings range in size from the largest main drives for steel rolling mills to small single motor drives such as pumps. There are Koppers couplings for high-speed, high-performance, high-misalignment and for all types of special industrial requirements.

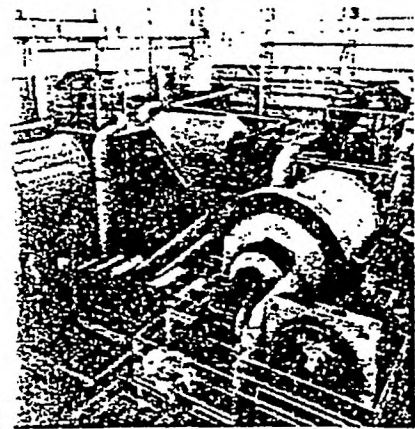
Koppers line of corrugating and container machinery which converts kraft paper into corrugated board and the corrugated board into printed boxes, is the standard machinery of the packaging industry.

Koppers has a strong position in the field of mineral processing through the Hardinge heavy machinery manufacturing operations. Hardinge's specialized line of equipment includes grinding and pulverizing mills, classifiers, thickeners, feeders, dryers, and coolers.

Koppers industrial fans, from 36 inches to 36 feet in diameter, are used in cooling towers and radiator-type coolers throughout industry.

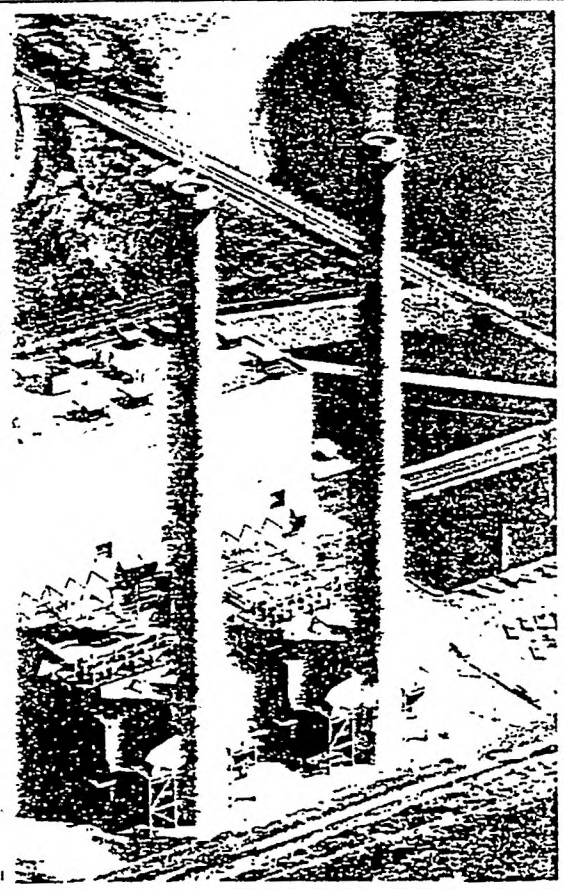
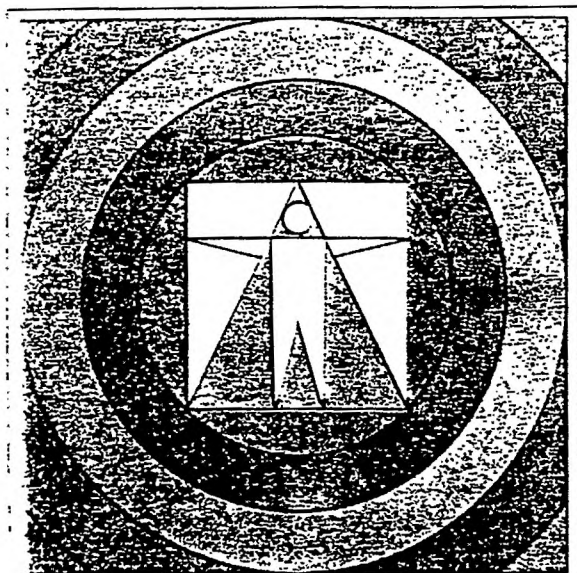
The Company has long had a prominent position in the design and production of specialty equipment for the steel industry. Charging controls, skip hoists, stock line recorders, hot blast stove burners, bell hoists, stock valves, automatic stove changing equipment and much other special equipment is designed and built by Koppers to conform to customer requirements.

Koppers has engineered huge laminated wood arches to be fitted into a church structure like a piece into a jigsaw puzzle. The same type of competence in reinforced plastics has enabled Koppers to develop special, problem-solving utility pole hardware and large, one-piece units for trailer trucks that form the hood and fenders.



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KOPPERS

Environmental
Systems

The need to control environmental conditions has been important to science and industry for many years. Now the quality of our everyday environment—air, water, and land—and the quality of life in cities, suburbs and rural areas—has become a high-priority matter of national concern.

Koppers has been involved in various aspects of environment control for some time.

Electrostatic precipitators, designed, built and installed by Koppers, remove solid and liquid particles from process gases or industrial waste gases in the steel, cement, pulp and paper, utility, chemical and other industries. Koppers also has competence in the design and construction of all types of industrial air, gas and liquid treating facilities.

Koppers designs and builds "clean rooms." These are enclosures where research, processing, or fabrication and assembly must occur in the near total absence of dust or other airborne impurities—and where temperature and humidity often must be rigidly controlled.

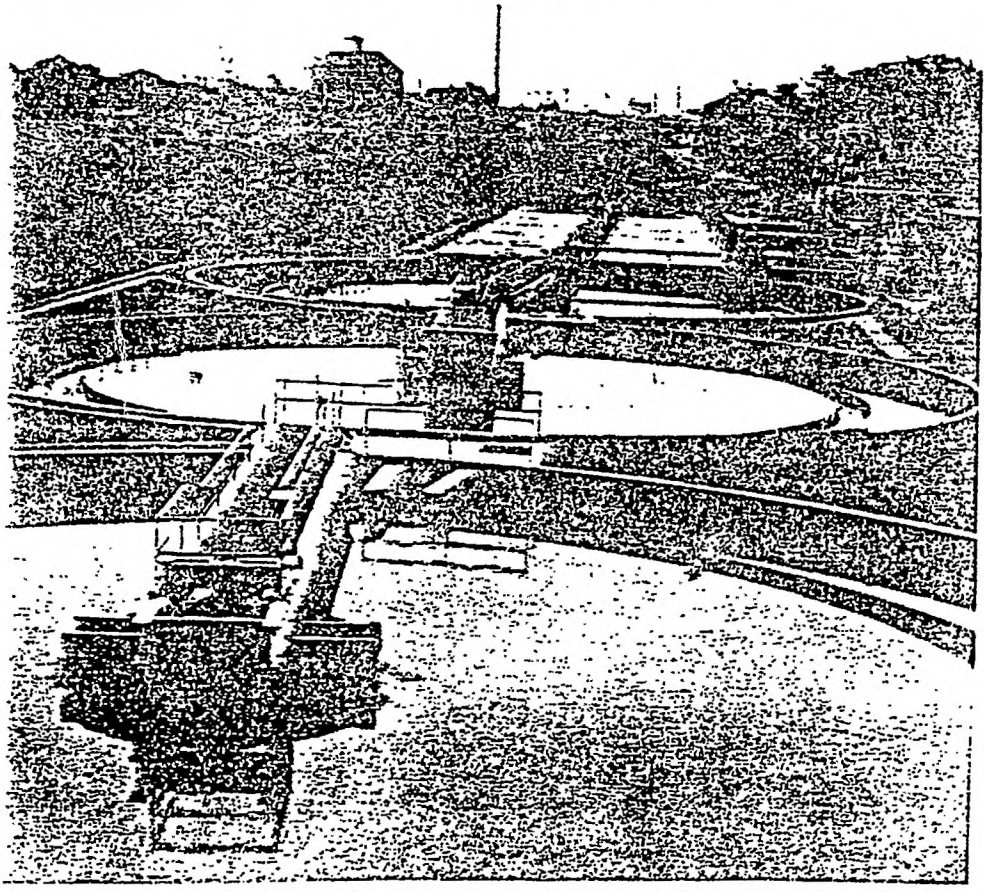
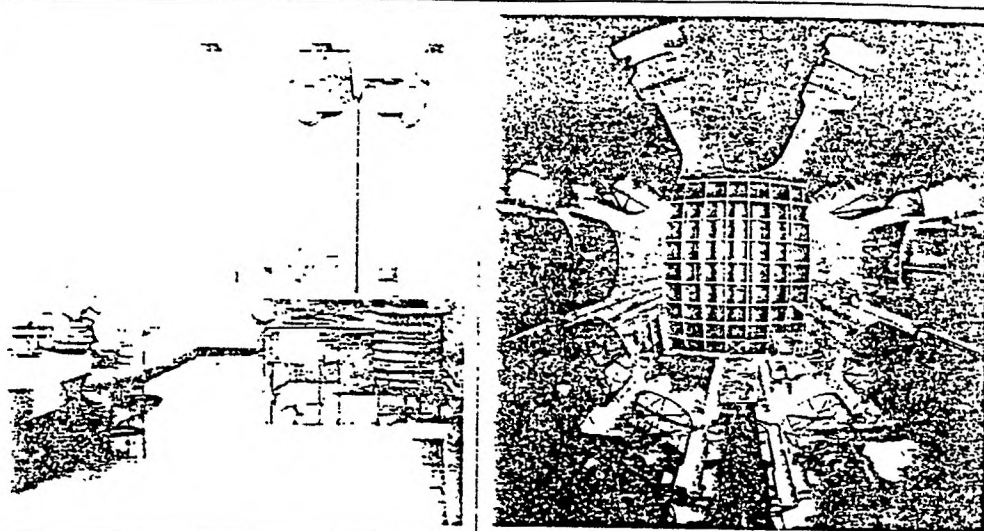
In another area of environmental control, Koppers has special knowledge and ability in reducing levels of noise ranging from the noise of flushed water to the roar of powerful gas turbines. The Company's proprietary sound control equipment is used to quiet building air conditioning systems and to almost silence stationary jet engines. Koppers sound-proof panels are used to provide quiet office space within a noisy industrial environment.

Left—Fly ash and fumes are cleaned from exhaust from power station stacks by Koppers electrostatic precipitators.

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Reinforced plastic products are
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KOPPERS

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KOPPERS

Engineering
and Construction



Koppers has not only been in the forefront of the latest developments of modern steelmaking processes, but also is one of the few firms in the world having the competence to build an integrated steel plant on a "turnkey" basis.

The Company's capabilities extend from the performance of feasibility studies and the development of a financial plan... to engineering design, procurement of equipment, construction, and startup of the completed plant.

Koppers is the world's leading contractor in the design and construction of basic oxygen steelmaking plants. About one-third of all the basic oxygen furnace capacity in the United States was designed by Koppers.

We have built more than 120 blast furnaces throughout the world. These have a total annual capacity of almost 40 million tons—about one-eighth of world capacity. Blast furnace equipment supplied by Koppers is installed in 99 per cent of all U. S. blast furnaces.

Koppers personnel have been associated with continuous casting since the initial development work was begun well over 15 years ago. The Company designed and built the first commercial-scale continuous casting machine in North America. We now have more than 70 continuous casting strands either in full-time commercial production or under construction.

More than 21,400 coke ovens in

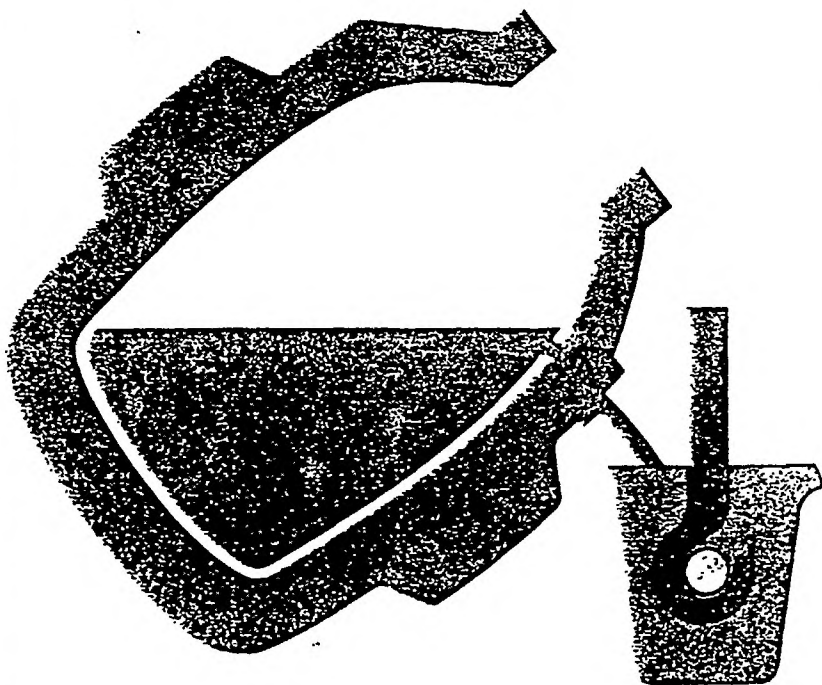
North America, with their coal and coke handling and chemical recovery facilities, have been built by Koppers. Ovens of our latest design are 50 feet long and 20 feet high—largest in the Western Hemisphere. These new ovens will operate at faster coking rates and produce 80 per cent more coke in a given time than any others in this hemisphere.

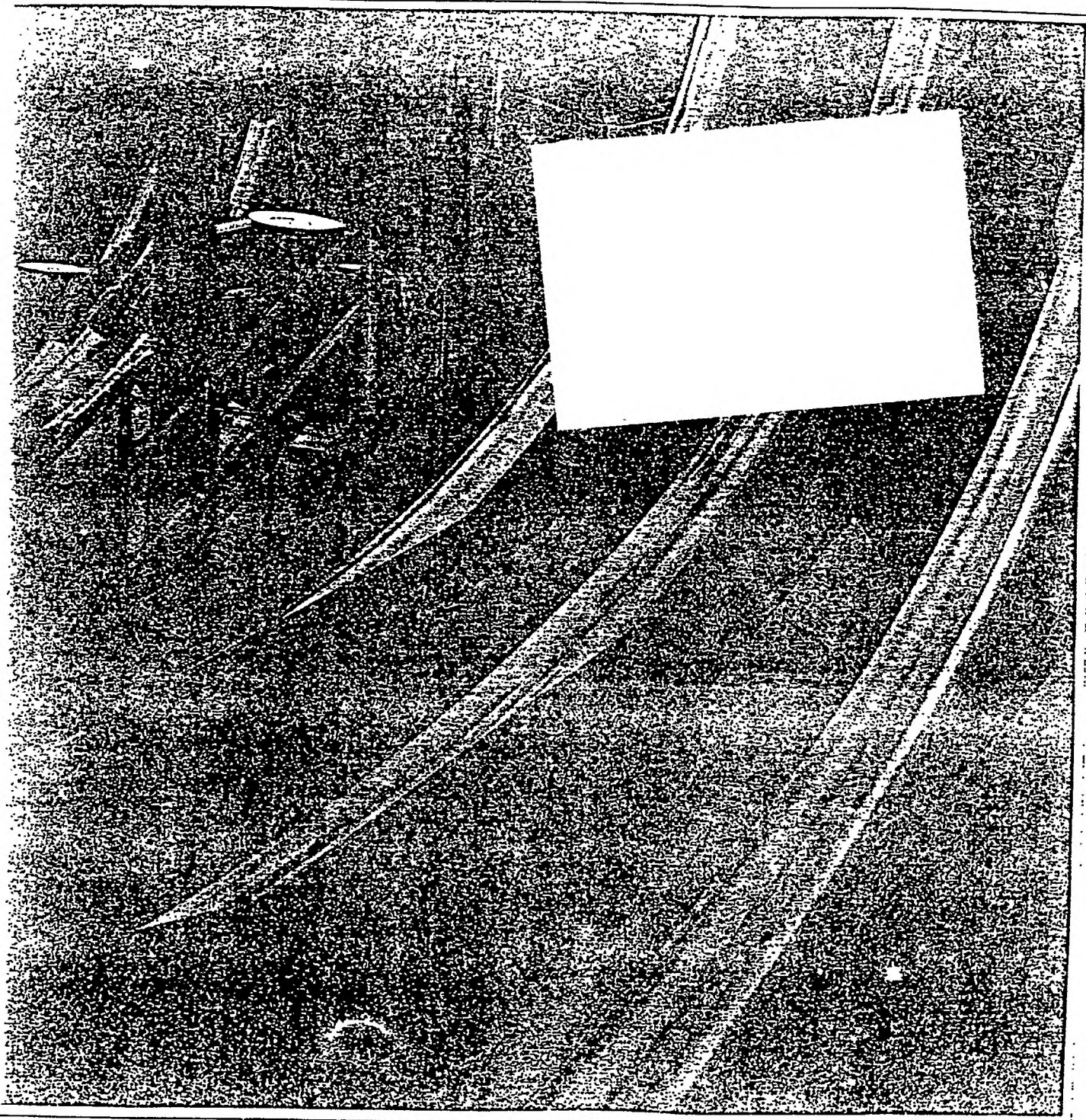
Other types of installations designed and built by Koppers include open hearth furnace plants, sintering plants, materials handling systems, fuel injection systems, hot blast cupolas, automated coke wharves, and chemical processing facilities.

Koppers engineering and construction sales over the years exceed \$2 billion, attesting to the competence developed in this area of our diversified Company.

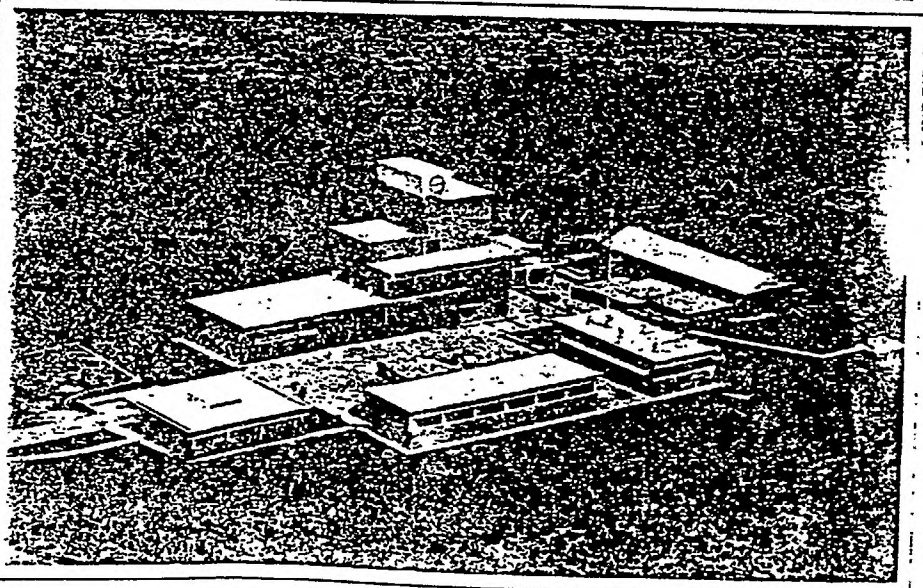
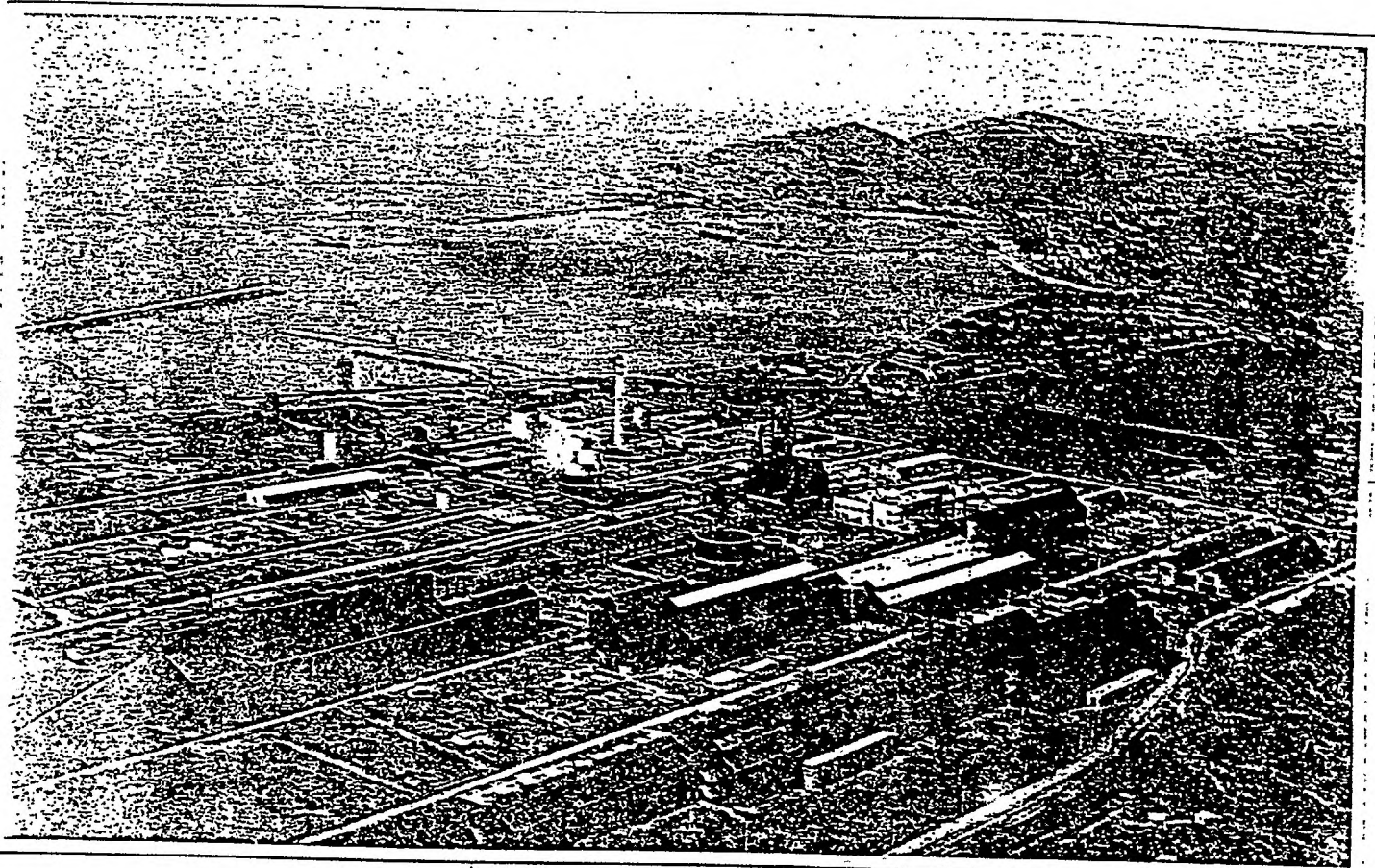
Left—A Koppers-built blast furnace

Right—First three-strand continuous casting machine in North America, built by Koppers





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International

Koppers exports steel, cast iron, metal products and other materials to meet the rapidly expanding needs of overseas markets.

The Company has placed increased emphasis on the establishment of overseas manufacturing affiliates in recent years. We have 11 of these affiliates which include plastics operations in Spain, Argentina, Brazil and Mexico; the production of piston rings in Italy; forest products facilities in Central America and the Caribbean area; cement production in Chile; and chemical and tar processing in Australia.

In establishing new overseas manufacturing operations, Koppers policy is to join with local investors. Our general approach is to extend our production capabilities into markets where our competence and experience mesh with the needs of a particular country or region.

The Company's capability to design and construct new steel plants and major steel plant units also extends into the international field. Koppers enjoys a strong position in the overseas construction market.

Recent overseas contracts include the design, construction, and start-up activity of steel making facilities in Turkey, the Philippines, Spain, Chile, Italy; of chemical processing plants in Brazil, Argentina, Venezuela; and of a military installation in Australia.



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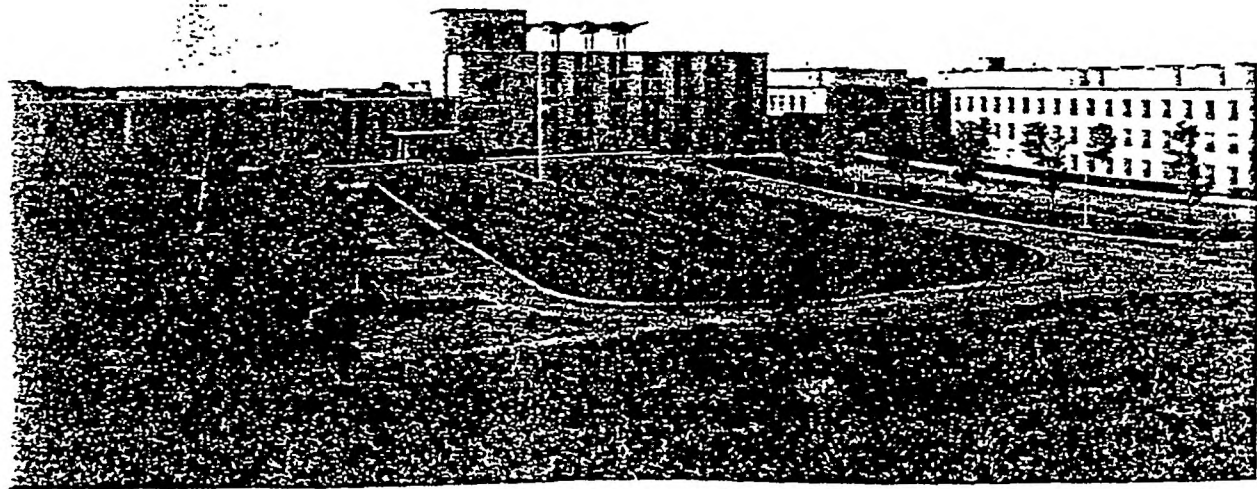
Koppers is a Company unaccustomed to looking back except as it might be a guide to the future. Nevertheless, it may be interesting to review the growth and development of the Company, and to observe how knowledge and ability acquired in one field led naturally into competence in a related field.

Research has been basic to Koppers development and diversification. It has led to valuable contributions to the Company's varied capabilities. Indicative of Koppers early interest in research was the creation of the Company's research department in 1915. Today our laboratory is one of the finest industrial research facilities in the country.

Koppers research reflects the interests of the Company itself with varied projects always in progress. Most projects are co-operative, initiated by research personnel and by Koppers operating management to meet specific market or production needs and opportunities. Some of these efforts are, of course, long-range in nature.

A substantial portion of Koppers research effort is in the broad fields of plastics and chemicals. Other work is in such areas as wood technology, coal carbonization, reinforced plastic structures, and in liquid and gaseous effluent treatment. Still other research is industrially oriented in packaging, steelmaking, building materials, and corrosion prevention.

Every research activity or project aims to uncover new knowledge to help Koppers and its customers produce more useful, durable products and to achieve more efficient manufacturing operation.





Koppers Company owes its name and origin to a young German engineer named Heinrich Koppers.

Around 1900, Dr. Koppers developed a new type of coke oven that could economically recover the chemicals produced as waste by-products of the coking process. Interested American steel producers brought Dr. Koppers to the United States to build his advance-design ovens.

The first battery of ovens was completed at Joliet, Illinois in 1907. Dr. Koppers incorporated the "H. Koppers Company" in March, 1912, with offices in Chicago.

In 1914 American investors purchased the majority interest in the company from Dr. Koppers and shortly thereafter established its home office and headquarters in the steel capital of the world—Pittsburgh.

The story of Koppers since those early days has been one of continued expansion and diversification. Koppers still maintains a prominent position in the construction of facilities for steel producers. However, the present Company is primarily a diversified manufacturing firm. The manufacturing operations have evolved logically from Koppers original capability in the construction of coke ovens. For example:

- A growing need for heavy industrial equipment in its construction operations led Koppers into the fabrication of metal products;
- Extensive know-how in the processing of coal tar recovered from the coking cycle was the basis for the Company's chemical operations;
- Koppers basic interest in creosote, the major product recovered from coal tar, motivated the Company's entrance into the wood treating field;
- The growing markets for plastics offered opportunities for Koppers to take advantage of its basic position in the production of many of the raw materials used in these versatile products.

The road to the development of the present-day Koppers Company has many significant milestones along its path. Here are just a few of them.

- 1915—Koppers research department established
- 1920—Acquired facilities to begin coal chemical processing operations
- 1927—Added metal fabrication capability with the purchase of two plants of the Bartlett-Hayward Company, Baltimore
- 1930—Wood treating operations were started through the combination of several small firms
- 1936—Chemical and tar processing operations were integrated into Tar and Chemical Division
- 1940—Formed Wood Preserving Division

1943—Completed construction of styrene-butadiene plant built and operated for Federal Government at Kobuta, Pa.

1944—Company reorganized from 100 subsidiaries to a single corporate unit; stock sold publicly for first time

1946—Purchased Kobuta plant in order to enter the plastics industry

1947—Began work on the design and construction of the Company's first integrated steel plant project—at Concepcion, Chile

1949—Extended construction capabilities through acquisition of leading designers and builders of blast furnaces, open hearths and auxiliary equipment

1954—Introduced DYLITE expandable polystyrene plastic in U.S.; began producing polyethylene plastic

1956—Established International Division

1958—Formed a separate Plastics Division

1961—Dedicated modern new research center near Pittsburgh

1962—Expanded wood activities by entering the field of glue-laminated structural wood products; established Forest Products Division

1963—Established operations in the new and growing field of reinforced plastic products

1964—Completed construction of 500,000 ton-per-year integrated steel plant in Turkey on schedule—after 42 months of work

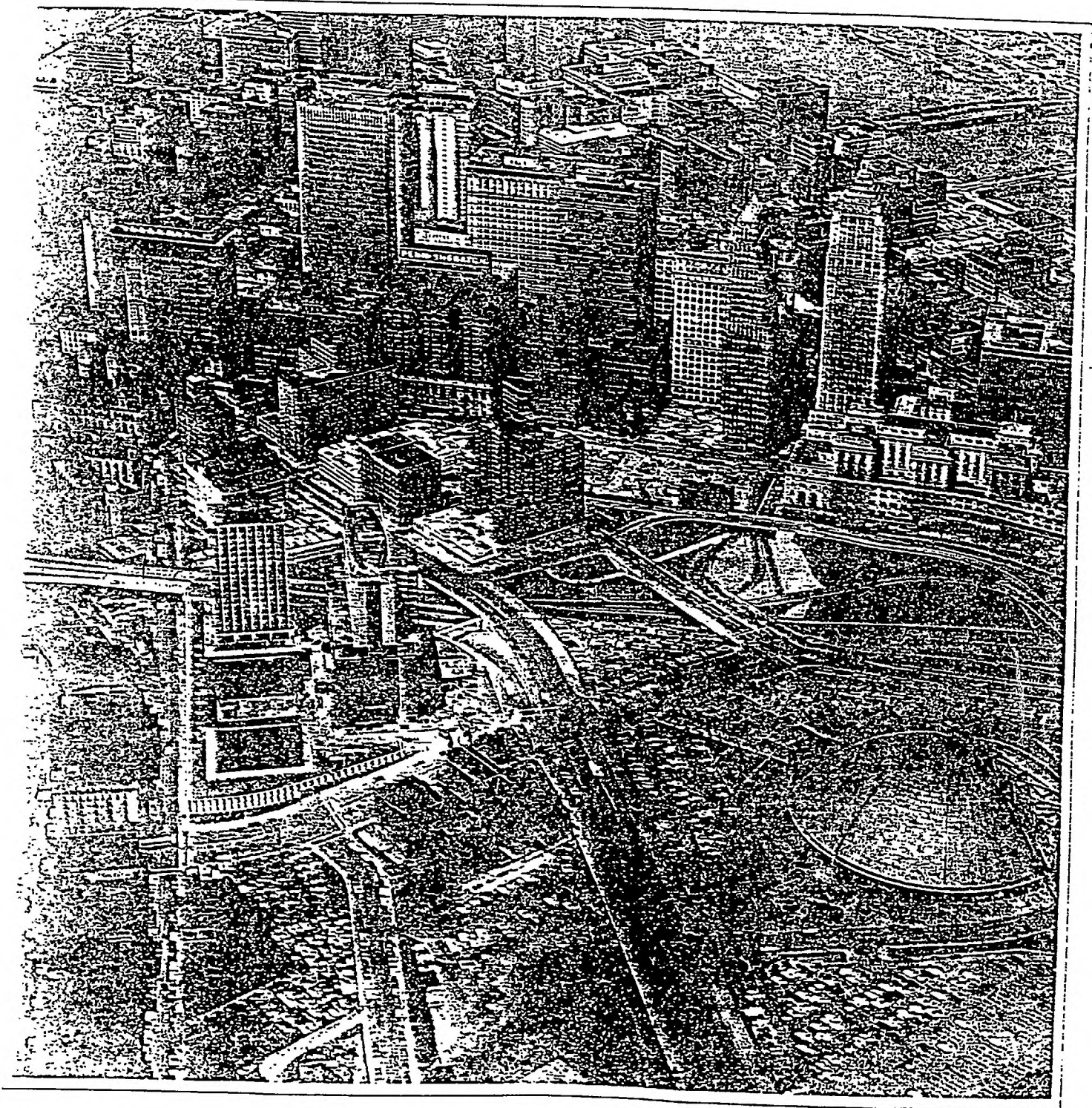
1965—Joined the Plastics Division into an equal partnership with Sinclair Petrochemicals, Inc. to form the Sinclair-Koppers Company

1966-67—Carried out the largest capital expansion program in the Company's history

Left—Koppers research center Monaca, Pa.

KOPPERS

AN ANNUAL REPORT





HEADQUARTERS:
KOPPERS COMPANY, INC.
KOPPERS BUILDING
PITTSBURGH, PENNSYLVANIA 15219

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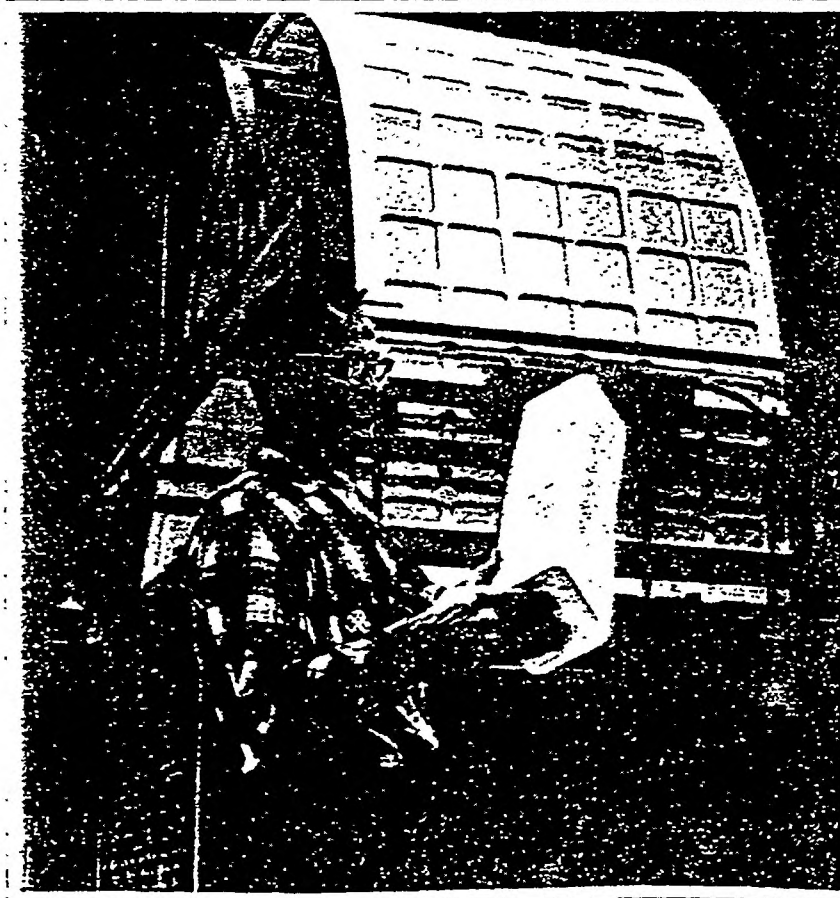
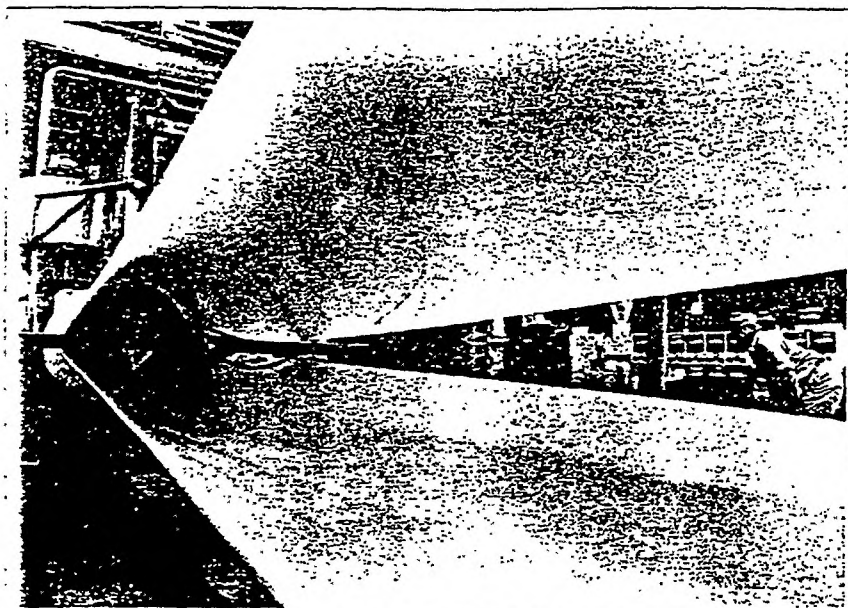
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For additional copies of "The Competences of Koppers" or of a companion booklet listing all Company products, plants and sales offices, please write to Koppers Company, Inc., 1425 Koppers Bldg., Pittsburgh, Pa. 15219.

KOPPERS

1967 ANNUAL REPORT



Operating Highlights

All of Koppers major manufacturing units shared in the 7 per cent increase in manufacturing sales achieved during 1967.

Organic Materials

The Organic Materials Division (formerly the Tar and Chemical Division) is expanding on its traditional product lines and markets based on coal tar, to include materials derived from other sources. An example of this diversification is our recent move into the production of aggregate materials in those areas where we serve the road building market. The Company, late in 1967, completed a transaction to merge Buffalo Slag Co., Inc. of Buffalo, N. Y., into these operations. Buffalo Slag has been active for almost 40 years in the processing of blast furnace slag and the production of crushed stone, sand, and gravel. Buffalo Slag will be operated as a wholly-owned subsidiary under its present name and by its present management.

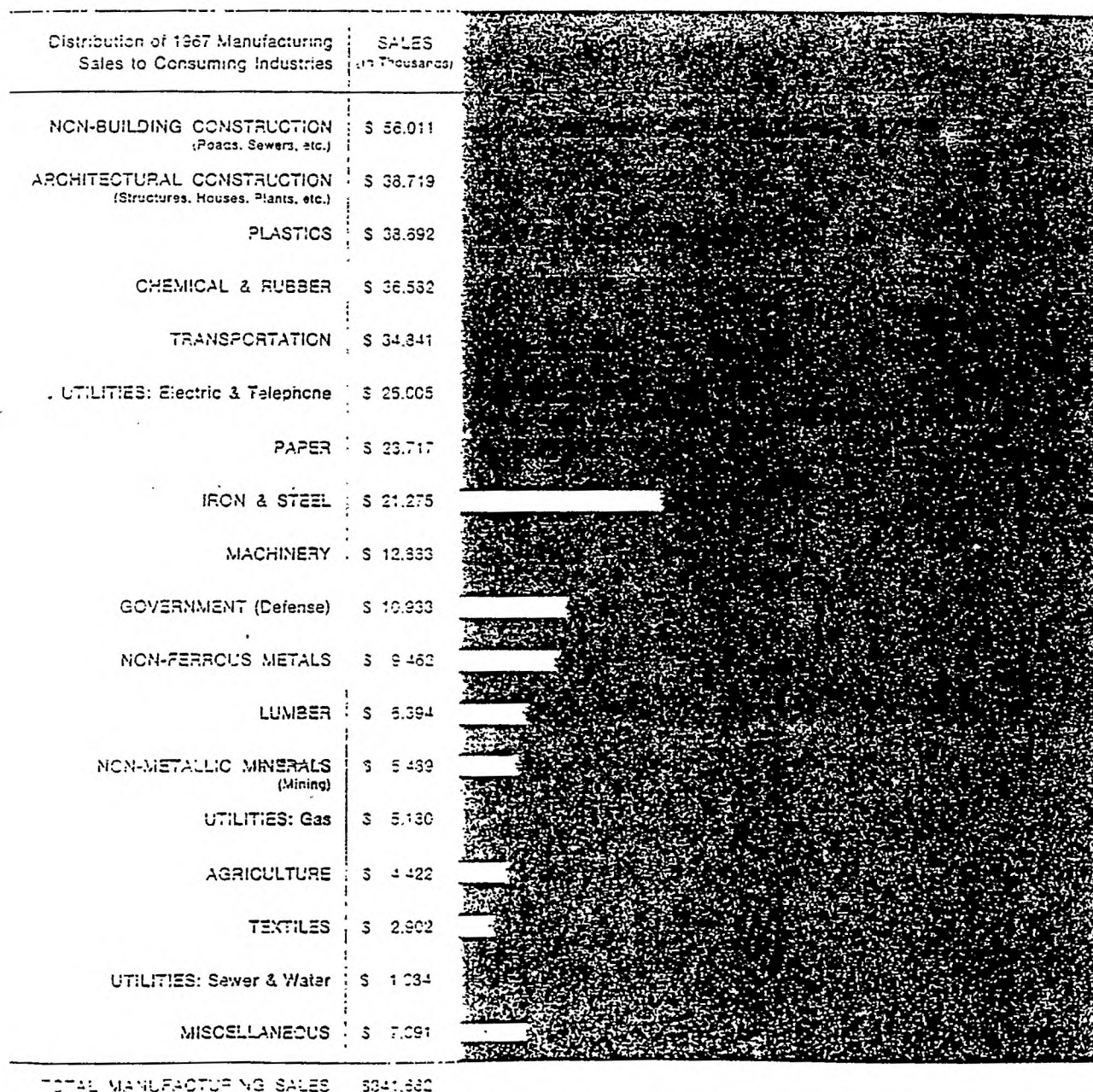
Sinclair-Koppers

The Sinclair-Koppers partnership continued to expand its position in several of the fast-growing markets for plastics and to increase its emphasis on the production of end products during 1967.

In particular, Sinclair-Koppers has maintained its strong position in the

New facilities at Sinclair-Koppers, Koppers Plant—DYLITE expanded polystyrene is extruded into sheet stock, then thermoformed into meat trays (below) used by supermarkets. DYLITE sheets also used for egg cartons, fruit and vegetable trays, and in many other packaging applications.

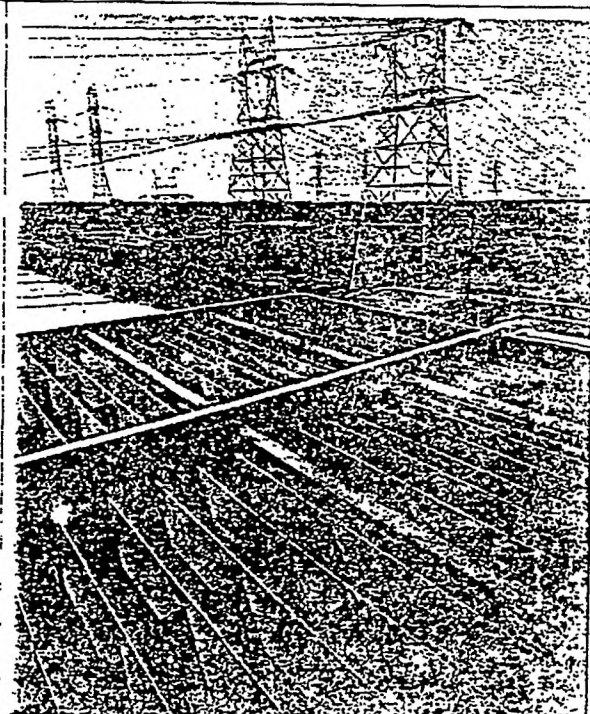
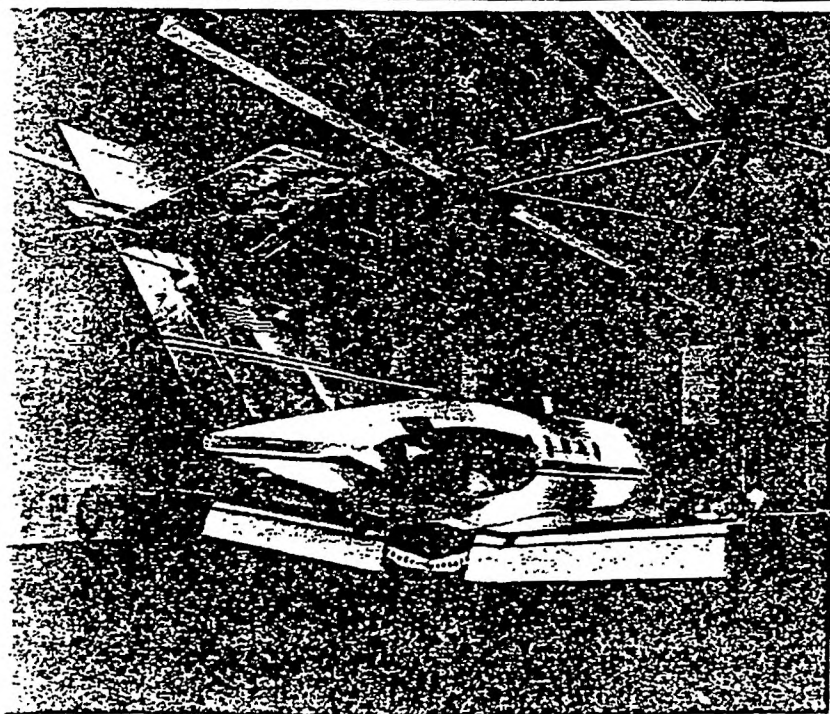
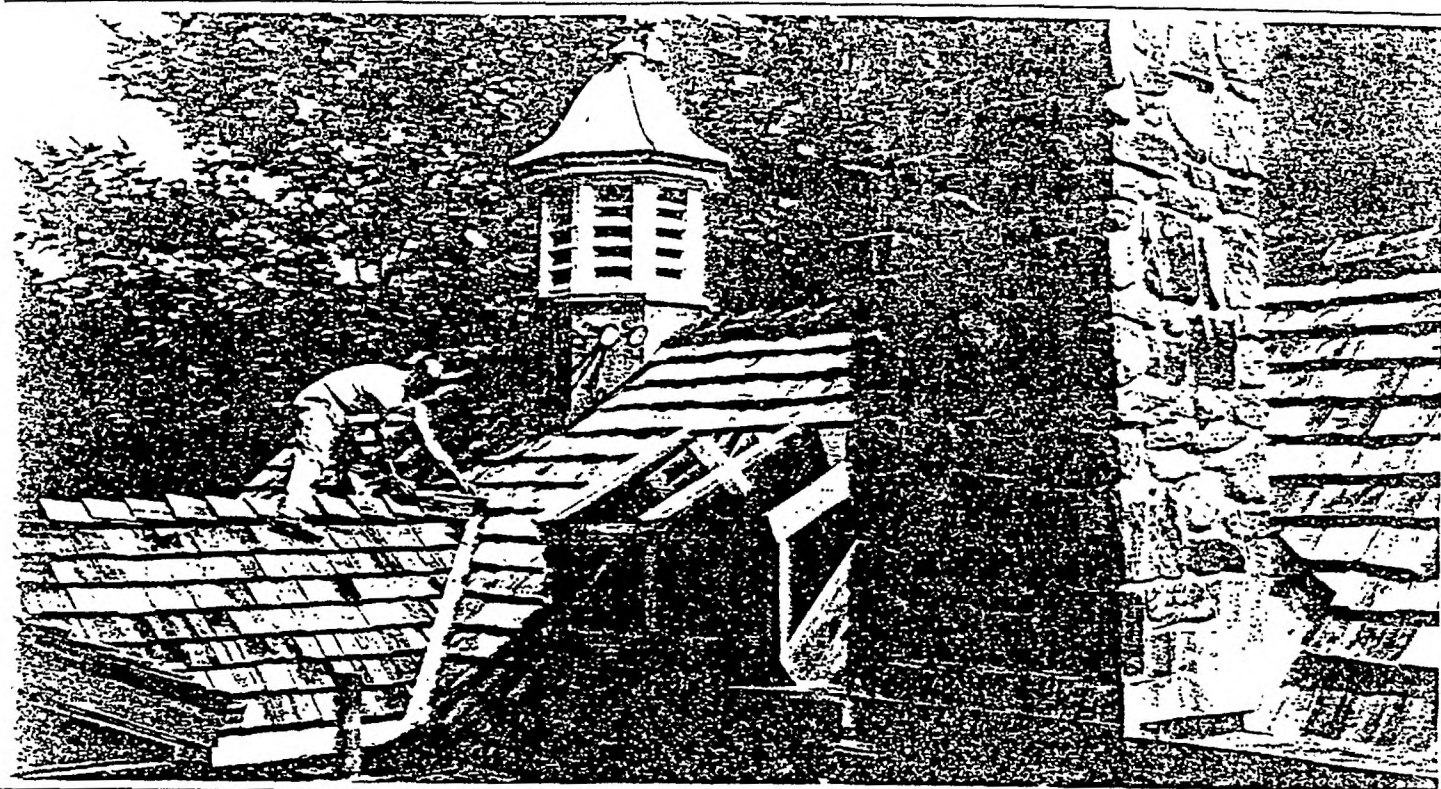
30 Per Cent of Koppers Manufacturing Sales Moving into Growing Markets



Markets growing at a rate faster than average growth expected for national economy over next ten years (4.4% annual)
 Markets growing at a rate slower than average expected for national economy over next ten years.

KOPPERS

EST. 1878



and packaging facilities currently under construction. The new plant will be a major production center for most of the high-volume U.S. grades now made on their own custom kettles. Sales have also been greatly expanded in the resin bottle market and, in October, Snodgrass-Koppers started up a new plant in Tampa, Florida, to supply polyethylene bottles to a major producer of household products.

Snodgrass-Koppers also established a new production facility outside of the U.S. in 1967. The new firm, Procesas de Estrero S.A. de C.V., Procesas, will be located near Mexico City and will produce expandable polystyrene, conventional polystyrene and ABS resins for use by Mexican plastic molders. Procesas was formed in conjunction with private Mexican investors.

Construction

In our construction business, ten strands of continuous casting capacity were completed at two locations, and an additional 38 strands are now in various stages of construction.

Two particularly important new

contracts were received during 1967. One call was for the design and construction of a series of 38 giant coke ovens capable of producing 30 per cent more coke than ovens now in general use in this country. These 20-foot high ovens will utilize the fast-cooking design and operating know-how obtained from the 13' 9" high demonstration ovens built earlier at our Kearny, N.J., plant.

The second contract is for the largest blast furnace ever built in the Western Hemisphere. It will have a hearth diameter of 35 feet, with provision for eventual expansion to 37.5 feet. Its initial design capacity will be 5,000 tons of iron per day.

Overseas

Two joint ventures were established in Australia during the year. The major production units are expected to be in operation by mid-1968 for Koppers Australia Proprietary, Limited (KAP), formed in February of 1967 to produce a broad range of coal tar products. The firm is jointly owned by Koppers and Broken Hill Proprietary Company Limited (B.H.P.), the largest steel producer in Australia.

Using coal tar and other by-products from B.H.P.'s coking operations, KAP will produce naphthalene, carbon electrode, electrode binder, road paving materials, roofing iron preservative and a variety of other products as markets are developed.

In September, KAP joined with B.H.P. Industries Limited, the leading producer of gas tar, to form Koppers-B.H.P. Gas Tar Pty. Limited. The company will produce and use of gas tar products, used primarily in the steel industry. The company will also produce gas tar products from coke gas, a by-product of the steel-making process. The company will also produce gas tar products from coke gas, a by-product of the steel-making process.



A blast furnace under construction at the Koppers-B.H.P. Gas Tar Pty. Limited plant in Australia.

The new plant will be a major production center for most of the high-volume U.S. grades now made on their own custom kettles.

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KOPPERS

INTERNATIONAL INVESTMENT CO.

Board of Directors

Vanda Brand
President
International Investment Co.

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.

Douglas Grymes
Executive Vice President
Koppers Company, Inc.

Curtis E. Jones
Vice President
Metlcon National Bank and Trust Company

Thomas C. Keeling, Jr.
Chairman and President
Koppers International, C.A.

Andrew W. Mathieson
Vice President and Governor
T. Mellon and Sons

Robert H. McClintic
Chairman of the Board
Gordon Lubricating Company

Robert S. Gelman
Chairman of the Board
National Cash Register Company

Nathan W. Pearson
Vice President and Governor
T. Mellon and Sons

Dr. H. Guyford Stever
President
Carnegie-Mellon University

O. P. Thomas
President
Singer & Co. Corporation

Officers

Fred C. Foy
Chairman of the Board

Fletcher L. Byrom
President

Douglas Grymes
Executive Vice President

Company Vice Presidents

A. William Capone
Treasurer

Thomas C. Cochran, Jr.
General Counsel and
Secretary

Harry B. Cummings
General Manager
Metal Products Division

William B. Jackson
General Manager
Organic Materials Division

Thomas C. Keeling, Jr.
Director in Charge
International Operations

B. Otto Wheelley
Manager
Marketing Department

Robert G. Wilson
General Manager
Engineering and
Construction Division

Divisional and Departmental Vice Presidents

William A. Anderson
Engineering and Construction Division

T. Hayward Bartholomew
Organic Materials Division

Burnett G. Bartley, Jr.
Forest Products Division

Arthur W. Cowles
Executive Department

Donald L. DeVries
Metal Products Division

Robert T. Eakin
Engineering and Construction Division

David L. Eynon, Jr.
Corporate Growth Planning

John A. Hagan
Engineering and Construction Division

James F. Haley
Manager
Transportation and Traffic Services

Max C. Hanisch
Forest Products Division

Alfred E. Jones
Manager
Procurement Department

John D. Jones
Manager
Industrial Relations Department

Executive Changes

Two major executive changes were made during 1967.



A. WILLIAM CAPONE

A. William Capone was elected vice president, chief financial officer and treasurer of the Company. He succeeded John E. Spears, chief financial officer of the Company since 1962, who retired during the year. Mr. Capone has been involved in various phases of Koppers domestic and international financial operations since 1946. Prior to his present position, Mr. Capone was manager of finance for the Company's International Operations.



SOL J. KATZ

Sol J. Katz, manager of the western region and headquartered in Los Angeles, was appointed vice president. Prior to his recent appointment, Mr. Katz had been Pacific district sales manager of the Organic Materials Division since 1957. He moved to the West Coast in 1949 after long service in the Company's chemical and tar sales activities in the Chicago area.

Sol J. Katz
Manager—Western Region
Organic Materials Division

Nicholas Kay
Organic Products Division

Donald MacArthur
Washington Office

Paul C. McDonnaughey
Manager—Eastern Region
Organic Materials Division

Carl H. Pottenger
Director of Research

Jack D. Rice
Engineering and Construction Division

Theodore D. Taubeneck
International Operations

Frank B. Varga
International Operations

Paul Wayman
Organic Products Division

Frank E. Weise Jr.
Engineering and Construction Division

Report of Certified Public Accountants

ARTHUR YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

430 Seventh Avenue
Pittsburgh, Pa. 15219

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, 1967 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, 1967 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.

Pittsburgh, Pennsylvania
January 22, 1968

Arthur Young & Company

Transfer Agents

Mellon National Bank and Trust Company
 Mellon Square, Pittsburgh, Pa. 15220

Bankers Trust Company, 16 Wall Street, New York, N.Y. 10038

Morris Trust and Savings Bank
 111 W. Monroe Street, Chicago, Ill. 60620

Bank of America National Trust and Savings Association
 One South Van Ness Avenue, San Francisco, California 94102

Stock Registrars

Pittsburgh National Bank, P. O. Box 726, Pittsburgh, Pa. 15200

Morgan Guaranty Trust Company
 25 Wall Street, New York, N.Y. 10038

Continental Illinois National Bank and Trust Company of Chicago
 231 South LaSalle Street, Chicago, Ill. 60690

Wells Fargo Bank
 444 California Street, San Francisco, California 94102

Dividend Disbursing Agent

Mellon National Bank and Trust Company
 Mellon Square, Pittsburgh, Pa. 15220

KOPPERS

ANNUAL REPORT

Consolidated Statement of Income and Earnings Retained in the Business

Years ended December 31, 1967 and 1966 (See accompanying notes)

	1967	1966
Net sales	\$448,143,111	\$442,617,794
Operating expenses (Note 2):		
Cost of sales	355,051,665	357,952,149
Depreciation and depletion	17,367,929	14,065,254
Taxes, other than income taxes	7,861,884	8,080,165
Selling, research, general and administrative expenses	46,105,917	43,256,047
	<u>426,387,295</u>	<u>423,365,615</u>
Operating profit	21,760,916	19,252,179
Other income:		
Dividends (Note 1), interest, etc.	1,405,306	1,466,472
Profit on sales of capital assets	251,312	1,074,409
	<u>1,656,918</u>	<u>2,540,381</u>
	<u>23,417,734</u>	<u>21,793,060</u>
Other expense:		
Interest	4,599,914	3,348,564
Minority shareholders' interest in subsidiaries' income	63,418	149,383
	<u>4,663,232</u>	<u>3,495,947</u>
	<u>18,754,502</u>	<u>18,297,113</u>
Provision for income taxes:		
Federal (Note 3)	4,295,461	5,568,051
State and foreign	1,213,906	683,521
	<u>5,509,367</u>	<u>6,251,572</u>
Income before extraordinary item	13,245,135	12,045,541
Income tax benefits of operating losses of a merged subsidiary	727,237	—
Net income for the year	<u>13,972,372</u>	<u>12,045,541</u>
Earnings retained in the business at the beginning of period	94,515,376	85,130,527
Earnings retained in the business at January 1, 1966 of:		
Buffalo Slag Co., Inc. (Note 1)	—	5,298,425
Other companies acquired in 1966	—	1,183,394
	<u>108,437,750</u>	<u>103,633,387</u>
Cash dividends paid:		
On preferred stock, \$4.00 per share	600,000	600,000
On common stock, \$1.40 per share	6,576,774	6,430,338
By Buffalo Slag Co., Inc. prior to merger (Note 1)	188,642	193,806
	<u>7,365,416</u>	<u>7,274,796</u>
Special charge, net of applicable income taxes	—	1,843,213
	<u>7,365,416</u>	<u>9,123,009</u>
Earnings retained in the business at the end of period	<u>\$101,122,334</u>	<u>\$94,515,376</u>
Average number of shares of common stock outstanding during year	4,956,826	4,890,651
Per share of common stock:		
Earnings before extraordinary item	\$2.55	\$2.34
Extraordinary item	.15	—
Net earnings	<u>\$2.70</u>	<u>\$2.34</u>

FINANCIAL STATEMENTS—Koppers

Consolidated Balance Sheet December 31, 1967 and 1966 See accompanying notes

ASSETS

	1967	1966
Current assets:		
Cash	\$ 11,830,399	\$ 13,037,040
Marketable securities at cost which approximates market	3,647,369	—
Accounts receivable less allowance of \$430,381 for doubtful accounts in 1967	87,747,428	94,019,657
Inventories, at lower of cost or market:		
Product inventories including work in process	51,813,729	49,454,367
Raw materials and supplies	14,375,246	12,422,199
Prepaid insurance and taxes	1,165,681	1,038,369
Total current assets	<u>170,580,952</u>	<u>170,031,632</u>
Investments at cost less reserve:		
Investments in non-consolidated subsidiaries and 50% owned companies (Note 1)	9,928,112	9,400,269
Other investments (Current value at December 31, 1967—\$14,149,000)	9,439,472	10,837,508
Notes and accounts receivable due after one year	<u>2,572,309</u>	<u>5,255,801</u>
	<u>21,940,393</u>	<u>25,493,578</u>
Fixed assets, at cost:		
Buildings and equipment	300,063,703	276,428,731
Less accumulated depreciation	<u>179,399,932</u>	<u>165,248,432</u>
	120,663,771	111,180,299
Depletable properties, less accumulated depletion	2,236,909	3,047,809
Land	8,103,512	7,608,793
Intangible assets, less amortization	<u>1,996,580</u>	<u>2,263,815</u>
	<u>133,050,772</u>	<u>124,100,716</u>
Deferred charges	<u>947,659</u>	<u>561,695</u>
	<u>\$325,519,776</u>	<u>\$320,167,621</u>

KOPPERS

KOPPERS COMPANY, INC.
Pittsburgh, Pa. 15219

Company, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet December 31, 1967 and 1966 See accompanying notes.

LIABILITIES

	1967	1966
Current liabilities:		
Federal income tax	\$ 1,149,006	\$ 2,690,437
Other accrued taxes	3,093,914	3,081,472
Accounts payable and accruals other than taxes	36,022,955	45,758,372
Advance payments received on contracts	10,470,619	5,389,370
Term debt due within one year	2,164,792	2,047,722
Total current liabilities	<u>54,901,286</u>	<u>58,967,373</u>
Term debt due after one year (Note 4):		
6% notes due \$3,000,000 annually commencing August 1, 1977	26,000,000	—
Notes payable to banks	30,000,000	55,000,000
5.8% promissory notes due \$670,000 annually commencing August 15, 1972	10,000,000	10,000,000
Other	3,484,664	2,966,411
	<u>72,484,664</u>	<u>67,966,411</u>
Deferred compensation (Note 3)	1,526,879	1,454,155
Deferred income taxes (Note 3)	7,451,203	7,182,045
Minority shareholders' interest in subsidiaries	684,736	1,872,520
Total liabilities	<u>137,248,768</u>	<u>137,442,504</u>

STOCKHOLDERS' EQUITY

Cumulative preferred stock, \$100 par value:		
Authorized 300,000 shares; issued 150,000 shares, 4% series	<u>15,000,000</u>	<u>15,000,000</u>
Common stock, authorized 6,000,000 shares of \$5 par value:		
Issued 4,973,528 shares in 1967 and 4,940,283 shares in 1966 (Notes 1 and 5)	24,867,640	24,701,415
Capital in excess of par value (Notes 1 and 5)	48,862,638	48,528,324
Earnings retained in the business (Note 4)	<u>101,122,334</u>	<u>94,515,373</u>
	<u>174,852,672</u>	<u>167,745,117</u>
Less 16,900 shares of common stock in treasury, at cost	581,664	—
Common stockholders' equity	<u>174,271,008</u>	<u>167,745,117</u>
Total preferred and common stockholders' equity	<u>348,542,008</u>	<u>332,187,621</u>
	<u>\$326,519,776</u>	<u>\$320,187,621</u>

1965	1964	1963	1962	1961	1960	1959	1958
\$385.898	\$345.414	\$302.318	\$312.713	\$290.989	\$310.315	\$251.500	\$259.522
\$21.662	\$20.962	\$15.982	\$15.450	\$14.644	\$16.352	\$13.800	\$14.773
\$1.123	\$1.356	\$1.241	\$1.252	\$1.301	\$959	\$747	\$1,167
\$7.808	\$8.308	\$7,084	\$6.116	\$6,346	\$7,529	\$6,646	\$6,114
\$12.731	\$10.798	\$7,657	\$8.082	\$6,997	\$7,864	\$6,407	\$7,492
\$2.53	\$2.16	\$1.49	\$1.55	\$1.32	\$1.50	\$1.20	\$1.42
\$1.20	\$1.20	\$1.00	\$1.00	\$1.00	\$0.95	\$0.80	\$1.03
\$14.961	\$15.239	\$13.179	\$11.918	\$11.997	\$13.316	\$11.252	\$10.522
\$3.12	\$3.23	\$2.73	\$2.48	\$2.48	\$2.75	\$2.32	\$2.17
4.795	4.715	4.733	4.812	4.846	4.839	4.854	4.852
15.546	16.123	15.816	16.307	16.434	16.983	16.941	16.611
\$6.541	\$4.653	\$2.398	\$2.742	\$1.605	\$127	\$964	\$2,056
\$29.808	\$15.720	\$18.334	\$13.744	\$22.625	\$20.118	\$12.649	\$10,043
\$39.373	\$92.565	\$91,317	\$92,097	\$96,558	\$97,598	\$93,212	\$95,089
\$34.296	\$23.062	\$22,738	\$29,711	\$31,077	\$23,497	\$20,959	\$27,565
\$106.603	\$92.098	\$85.853	\$85,207	\$85,776	\$88,389	\$73,605	\$81,389
\$239.023	\$213.271	\$180.891	\$193,261	\$161,817	\$187,317	\$146,101	\$156,691
\$35.908	\$34.136	\$74.138	\$80,157	\$75,378	\$75,048	\$79,105	\$83,802
\$33.99	\$33.27	\$32.28	\$31.63	\$33.84	\$30.75	\$29.96	\$29.55

Notes to Consolidated Financial Statements December 31, 1967

1. Principles of consolidation

The consolidated statements include the accounts of the Company, all of its domestic subsidiaries and wholly-owned foreign subsidiaries and the Company's 50% share of the assets and liabilities and income and expenses of Sinclair-Koppers Company, a partnership owned by the Company and Sinclair Petrochemicals, Inc., a subsidiary of Sinclair Oil Corporation.

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 50% owned companies at December 31, 1967 exceeds the carrying value of the Company's investment therein by \$1,575,000. The Company's equity in the operating profit of these companies in 1967 amounted to \$677,000. This was more than offset by unrealized foreign exchange losses estimated at \$777,000. Dividends of \$56,296 were received from these companies in 1967 and taken into consolidated income.

During 1967, Buffalo Stag Co., Inc. was merged into the Company in exchange for 265,671 Company common shares. The transaction was accounted for as a pooling of interests. The financial statements for 1967 include the operations of the merged company for the entire year and the financial statements for 1966 were restated to include the operations of the merged company for that year.

Capital in excess of par value was reduced \$90,361 in 1967 representing the cost of treasury shares issued as additional consideration for a company acquired in 1965 and accounted for as a pooling of interests.

2. Pension plans

The Company and its consolidated subsidiaries have several trustee pension plans covering substantially all their employees. The total pension expense for 1967 was \$3,107,000, which includes \$511,000 for interest on and amortization of prior service cost over a 38 year period. All pension provisions are paid into the trust funds. The unfunded prior service cost under all plans at December 31, 1967 approximated \$9,320,000 which includes \$1,100,000 resulting from increased benefits under certain plans for hourly employees granted in 1967.

3. Income taxes

The provisions for income taxes have been reduced by \$2,341,000 and \$1,373,000 in 1967 and 1966 respectively for the investment credit.

The Company provides deferred income taxes for the excess of guideline depreciation claimed for tax purposes over book depreciation, estimated taxes payable upon eventual transfer of earnings of consolidated foreign subsidiaries to the parent

company and deferred compensation in the balance sheet. The provisions for the first two items are included in deferred taxes and the provision for the latter item is netted against the related liability account.

4. Term debt due after one year

The note agreements contain various restrictions as to dividend payments and incurrence of additional term debt. Under the most restrictive provisions, at December 31, 1967 \$17,406,000 of consolidated earnings retained in the business was available for cash dividends and the Company could incur additional term debt of \$43,525,000.

The notes payable to banks bear interest at the prime rate (6% at December 31, 1967) and are represented by 90 day notes which are automatically renewable until September 1, 1969, at which time they can be converted into term notes which will be payable in ten equal semiannual installments commencing March 1, 1970 and bear interest at the prime rate plus 1/4%.

5. Stock option plan

During 1967 under the Company's stock option plan for officers and key employees, options on 8,000 shares were granted. 35,845 shares were issued on exercise of options at prices ranging from \$17.00 to \$30.50 per share, and options covering 800 shares were terminated. At December 31, 1967, options covering 76,295 shares were outstanding and 32,540 shares were available for future grants.

Options granted prior to January 1, 1964 were at 95% of market value at dates of grant and are exercisable over a seven year period. Options granted after January 1, 1964 were at 100% of market value at dates of grant and are exercisable over a five year period. The \$425,235 net excess of proceeds over the cost of treasury shares and par value of previously unissued common shares resulting from exercise of options during the year was credited to capital in excess of par value.

6. Commitments and contingencies

The 1963 rentals on properties operated by the Companies under long-term leases will amount to \$2,250,000. In addition the Companies are required to pay taxes, insurance, repairs and maintenance and alterations under certain of the leases.

The unexpended balance of open fixed asset expenditure authorizations at December 31, 1967 amounted to \$13,660,000.

The Company has guaranteed \$9,200,000 indebtedness of 50% owned companies and other corporations.

The Company is defendant in a civil action in which the plaintiff alleges breach of a management assistance contract and are seeking damages in a substantial amount. The Company and its legal advisors believe the suit to be without merit.

Koppers Company, Inc. and Consolidated Subsidiaries

Ten-Year Financial Highlights†

†All figures in thousands, except per share information and number of stockholders)

	<u>1967</u>	<u>1966</u>
Revenue from sales and other income.....	\$449,805	\$445,159
Income before income taxes and interest charges and after minority interest	\$23,354	\$21,644
Interest charges	\$4,600	\$3,347
Income taxes	\$4,782	\$6,251
Net income.....	\$13,972	\$12,046
*Earnings per share of common stock.....	\$2.70	\$2.34
Dividends declared and paid, per share of common stock.....	\$1.40	\$1.40
Total of all taxes	\$12,644	\$14,332
*Taxes per share of common stock.....	\$2.55	\$2.93
*Number of shares of common stock outstanding.....	4,957	4,891
Number of stockholders at year-end.....	16,959	16,890
Earnings retained in the business.....	\$6,607	\$4,771
Gross additions to fixed assets and investments.....	\$30,118	\$48,742
Net book value of land, buildings, equipment and depletable properties....	\$131,054	\$121,837
Term debt due after one year.....	\$72,485	\$67,966
Wages, salaries and pension expense.....	\$117,100	\$118,990
Materials, supplies and services.....	\$284,058	\$282,036
Working capital at year-end.....	\$115,680	\$111,064
Book value per share of common stock outstanding at year-end.....	\$35.16	\$34.40

†Results prior to 1967 have been restated to reflect the merger of Buffalo Slag Co., Inc. into Koppers in 1967 on a pooling of interests basis.

*Based on average number of shares of common stock outstanding during year.