

PENGAD-Bayonne, N.J.

PLAINTIFF'S
EXHIBIT

BEA-73

1967
Annual Report

KOPPERS

SC-BE-05587

SOLD OUT FOR
FINANCIAL STATEMENTS

Koppers Company, Inc. and Consolidated Subsidiaries

Five-Year Financial Highlights

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

	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>
Revenue from sales and other income	\$4,321.5	\$373,808	\$336,371	\$295,158	\$305,696
Income before income taxes and interest charges	\$27.1	\$20,497	\$19,795	\$15,392	\$15,062
Interest charges	\$3,534	\$1,106	\$1,343	\$1,239	\$1,239
Income taxes	\$5.8	\$7,339	\$8,502	\$6,872	\$5,998
Net income	\$11,340	\$12,052	\$9,950	\$7,281	\$7,825
*Earnings per share of common stock outstanding at year end	\$2.31	\$2.51	\$2.10	\$1.50	\$1.60
*Dividends declared and paid, per share of common stock	\$1.40	\$1.20	\$1.20	\$1.00	\$1.00
Total of all taxes	\$13,735	\$14,124	\$14,639	\$12,685	\$11,557
*Taxes per share of common stock	\$2.74	\$3.10	\$3.30	\$2.86	\$2.57
*Number of shares of common stock outstanding at year end	4,975	4,550	4,444	4,438	4,496
Number of stockholders at year end	10,550	15,606	16,143	15,778	16,267
Earnings retained in the business	\$4,200	\$6,057	\$4,002	\$2,219	\$2,682
Gross addition to fixed assets and investments	\$46,900	\$29,118	\$14,969	\$17,980	\$13,125
Net book value of land, buildings, equipment and intangibles	\$115,514	\$84,304	\$87,466	\$87,545	\$87,923
Term debt due after one year	\$67,000	\$34,252	\$28,052	\$22,738	\$29,665
Wages, salaries and pension expense	\$114,310	\$102,600	\$89,324	\$83,290	\$82,626
Materials, supplies and services	\$270,175	\$233,438	\$207,696	\$177,865	\$190,234
Working capital at year end	\$106,551	\$92,818	\$81,541	\$71,449	\$78,332
*Book value per share of common stock at year end	\$33.43	\$33.70	\$33.02	\$32.22	\$31.60

*Results prior to 1966 have been restated to reflect the two-for-one stock split in March, 1966.

Koppers Company, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet December 31, 1966 and 1965 (See accompanying notes.)

Assets

	1966	1965
Current assets:		
Cash.....	\$ 1,015,573	\$ 7,993,572
Accounts receivable less allowance of \$449,071 for doubtful accounts in 1966.....	2,245,550	77,425,673
Inventories, at lower of cost or market:		
Product inventories including work in process.....	43,842,010	43,842,010
Raw materials and supplies.....	9,422,997	9,422,997
Prepaid insurance and taxes.....	1,530,991	1,530,991
Total current assets.....	144,955,045	140,215,203
Investments at cost less reserve:		
Investments in non-consolidated subsidiaries and 50% owned companies (Note 1).....	1,400,260	1,400,260
Other investments (Current value at December 31, 1966—\$13,864,000).....	8,908,176	8,908,176
Notes and accounts receivable due after one year.....	5,020,638	5,020,638
	23,329,083	23,329,083
Fixed assets, at cost:		
Buildings and equipment.....	259,311,730	259,311,730
Less accumulated depreciation.....	152,070,425	152,070,425
	106,332,355	106,332,355
Standing timber and timber lands, less accumulated depletion.....	2,843,175	2,843,175
Land.....	5,638,878	5,638,878
Intangible assets, less accumulated amortization.....	2,263,815	2,263,815
	118,078,226	118,078,226
Deferred charges.....	553,706	553,706
	\$306,922,050	\$306,922,050

Consolidated Balance Sheet December 31, 1966 and 1965 (See accompanying notes.)

Liabilities

	1966	1965
Current liabilities:		
Federal income tax	\$ 2,137,037	\$ 2,137,403
Other accrued taxes	3,411,759	3,386,007
Accounts payable and accruals other than taxes	45,288,088	37,817,662
Advance payments received on contracts	5,350,332	1,084,158
Term debt due within one year	2,947,722	3,372,000
Total current liabilities	<u>59,134,880</u>	<u>47,897,230</u>
Term debt due after one year:		
Notes payable to banks (Note 4)	55,000,000	55,000,000
5.8% promissory notes due \$670,000 annually commencing August 15, 1972 (Note 4)	1,070,000,000	—
Other	2,966,411	—
	<u>67,966,411</u>	<u>—</u>
Deferred compensation (Note 3)	1,454,155	—
Deferred income taxes (Note 3)	7,182,045	—
Total liabilities	<u>134,707,491</u>	<u>47,897,230</u>

Stockholders' Equity

Cumulative preferred stock, \$50,000,000 value:	
Authorized 100,000 shares, 4% per annum	<u>15,000,000</u>
Common stock, \$5 par value:	
4,674,612 shares authorized, 1,000,000 shares issued 2,312,312 shares	23,373,060
Capital in excess of par (Notes 4 and 5)	45,005,851
Earnings retained in the balance sheet	<u>88,745,648</u>
	<u>157,214,559</u>
Less common stock held in treasury	<u>—</u>
Common stockholders' equity	<u>157,214,559</u>
Total preferred and common stockholders' equity	<u>172,214,559</u>
	<u>\$306,922,050</u>



The 500 million pound-per-year Sinclair-Koppers ethylene plant nears completion at Houston, Texas

Koppers Company, Inc., Pittsburgh, Pa. 15219

FINANCIAL STATEMENTS

Consolidated Statement of Income and Earnings Retained in the Business

Years ended December 31, 1966 and 1965 (See accompanying notes.)

	1966	1965
Net sales.....	\$371,009,872	\$371,009,872
Operating expenses (Note 2):		
Cost of sales.....	295,709,153	295,709,153
Depreciation and depletion.....	10,486,809	10,486,809
Taxes, other than income taxes.....	6,785,427	6,785,427
Selling, research, general and administrative expenses.....	40,329,085	40,329,085
	353,310,474	353,310,474
Operating profit.....	17,699,398	17,699,398
Other income:		
Dividends (Note 1), interest, etc.....	957,776	957,776
Profit on sales of capital assets.....	1,840,040	1,840,040
	2,797,816	2,797,816
Interest expense.....	20,497,214	20,497,214
Income before provision for income taxes.....	1,106,757	1,106,757
Provision for income taxes:		
Federal (Note 3).....	6,568,376	6,568,376
State and foreign.....	7,101,554	7,101,554
	13,669,930	13,669,930
Net income for the year.....	12,051,527	12,051,527
Earnings retained in the business at the beginning of period.....	85,130,527	85,130,527
Earnings retained in the business at January 1 of each year of companies acquired (Note 1).....	1,165,394	1,165,394
	86,295,921	86,295,921
Cash dividends paid:		
On preferred stock, \$4.00 per share.....	600,000	600,000
On common stock, \$1.40 per share in 1966 and \$1.20 per share in 1965*.....	6,480,388	6,480,388
	7,080,388	7,080,388
Special charge, net of applicable income taxes (Note 6).....	1,348,213	1,348,213
Earnings retained in the business at the end of period.....	\$8,745,648	\$8,745,648
Shares of common stock outstanding at year end.....	4,674,612	4,674,612
Earnings per share of common stock.....	\$2.31	\$2.31

*Adjusted for two-for-one split of common stock on March 29, 1966



ARTHUR B. VANBUSKIRK

Arthur B. VanBuskirk retired from the Board of Directors in 1960, ending more than 30 years of invaluable guidance and advice in the operations of the Company. A former president and governor of T. Mellon and Sons, Mr. VanBuskirk is a major figure in banking and financial circles and has been a powerful force in Pittsburgh's nationally famous renewal and redevelopment program. His retirement was occasioned by his personal conviction that he should not serve on the Board after reaching the age of 70.



JOSEPH BECKER

It is with deep regret that we report the death in February, 1960, of Joseph Becker, director of the Company and world-renowned authority in coal and coking technology. Mr. Becker had been associated with Koppers for 30 years, since its origination, and for most years before that with Dr. Heinrich Koppers. His career paralleled the growth and development of the by-product coking industry in America, for much of which he was himself responsible. In the early 1920's he developed the widely used coke oven that still bears his name—the Koppers-Becker oven. He was granted many coke oven patents and received numerous honors and awards for his work in that field. Mr. Becker was vice president and general manager of the Engineering and Construction Division until his retirement in 1953. He was named to the Board in 1950 and served as special consultant to the Company after his retirement.

JOHN B. GORDON

General Manager

Engineering and Construction Division

WILLIAM J. HARRIS

General Manager

Engineering and Construction Division

JOHN J. KILPATRICK

General Manager

Engineering and Construction Division

ROBERT L. WILSON

General Manager

Engineering and Construction Division

JOHN J. KILPATRICK

General Manager

Engineering and Construction Division

ROBERT L. WILSON

General Manager

Engineering and Construction Division

BOARD OF DIRECTORS

V. J. ANDERSON

General Manager

Engineering and Construction Division

T. H. BARTLEY, JR.

General Manager

Engineering and Construction Division

B. T. BARTLEY, JR.

General Manager

Engineering and Construction Division

T. H. BARTLEY, JR.

General Manager

Engineering and Construction Division

ARTHUR W. CHOWLES

General Manager

Engineering and Construction Division

DONALD L. DEVRIES

General Manager

Engineering and Construction Division

ROBERT T. EAKIN

General Manager

Engineering and Construction Division

J. A. HAGAN

General Manager

Engineering and Construction Division

J. F. HALEY

Manager

Traffic and Transportation Department

MAX C. HANISCH

General Manager

Forest Products Division

W. B. JACKSON

General Manager

Forest and Chemical Division

A. E. JONES

Manager

Development Department

NICHOLAS KAY

General Manager

Forest Products Division

DONALD A. MACARTHUR

General Manager

Washington Office

P. V. MARTIN

General Manager

Engineering and Construction Division

PAUL C. MCCONNAUGHEY

General Manager

Forest and Chemical Division

CARL H. POTTINGER

General Manager

Director of Research

J. D. RICE

General Manager

Engineering and Construction Division

FRED W. RYS

General Manager

Engineering and Construction Division

T. D. TAUBENECK

General Manager

International Operations

FRANK B. VARGA

General Manager

International Operations

PAUL WAYMAN

General Manager

Forest Products Division

FRANK E. WEISE, JR.

General Manager

Engineering and Construction Division

B. OTTO WHEELLEY

Manager

Marketing Department

Board of Directors

VANCE BRAND

Chairman

Investment Company, Inc.

STANLEY N. BROWN

Chairman of the Board

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

Mellon National Bank and Trust Company

T. C. KEELING, JR.

Vice President

Koppers Company, Inc.

ANDREW W. MATHIESON

Vice President and Governor

T. Mellon and Sons

ROBERT H. MCCLINTIC

Chairman of the Board

Gordon Lubricating Company

ROBERT S. OELMAN

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 Institute of Technology

O. P. THOMAS

President

Sinclair Oil Corporation

New Directors

Dr. H. Guyford Stever, president of Carnegie Institute of Technology, was elected to Koppers Board of Directors in January, 1966. Dr. Stever has had a distinguished career as an educator, scientist, government official and advisor to industry. He is a guided missile and space research expert, having served as chief scientist of the U.S. Air Force and as chairman of the research advisory committee on missile and spacecraft aerodynamics of the National Aeronautics and Space Administration. Before coming to Carnegie Tech in 1965, he was head of the departments of mechanical engineering and of naval architecture and marine engineering at Massachusetts Institute of Technology.

Mr. Douglas Grymes was elected to the Board in March. Additional information on Mr. Grymes appears on page 3 of the Report.



VANCE BRAND



STANLEY N. BROWN



FLETCHER L. BYROM



FRED C. FOY



DOUGLAS GRYMES



CURTIS E. JONES



T. C. KEELING, JR.



ANDREW W. MATHIESON



ROBERT H. MCCLINTIC



ROBERT S. OELMAN



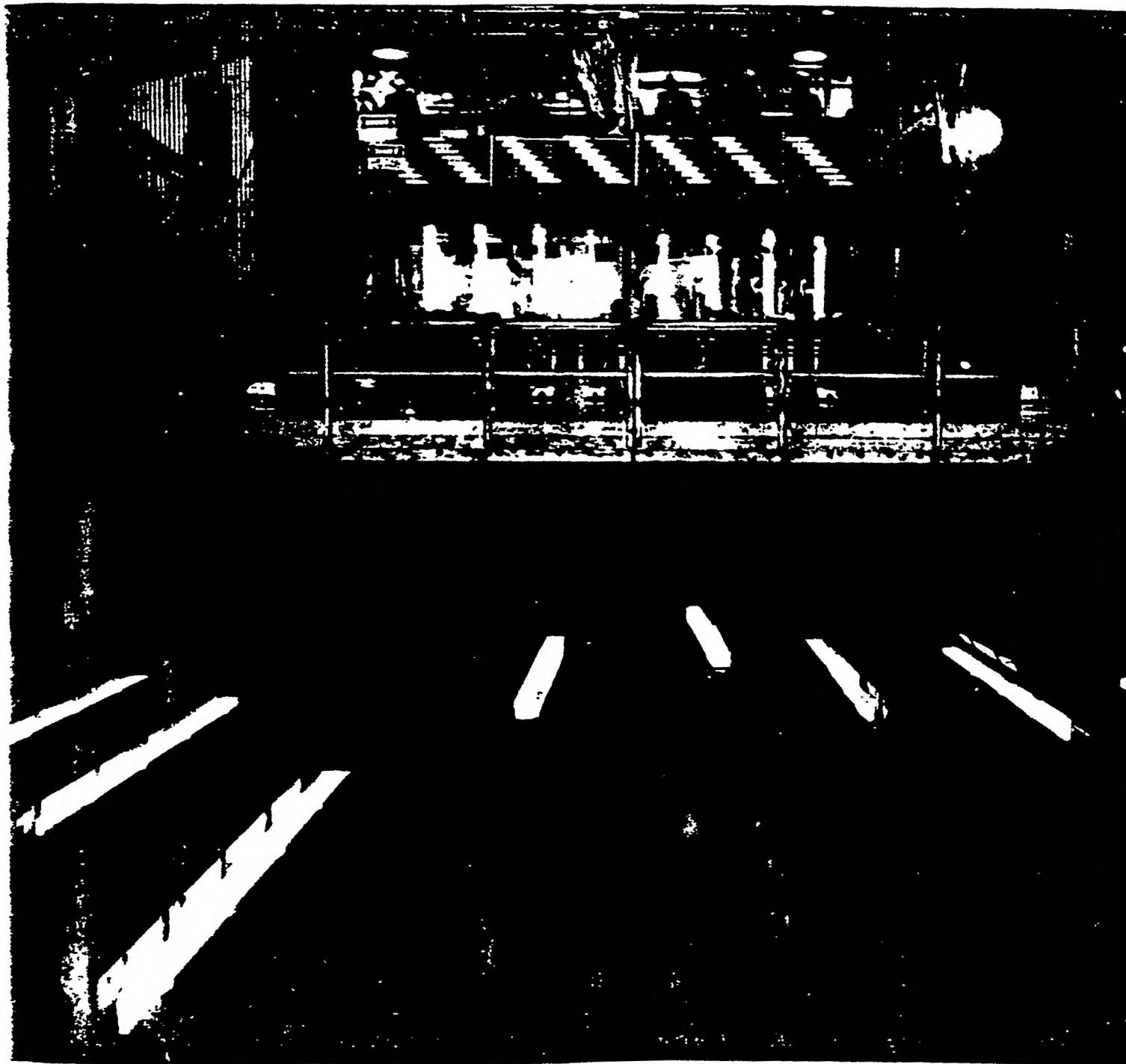
NATHAN W. PEARSON



DR. H. GUYFORD STEVER



O. P. THOMAS

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During the year, the steel industry expected to build 100 million annual tons of such capacity over the next 20 years. This will create at least \$1 billion in potential new design and construction business.

Koppers' strength in engineering and construction is based principally on well-developed technology and a wealth of knowledge in the newest, advanced processes for making steel.

The Basic Oxygen Process

Basic oxygen furnace (BOF) steelmaking is one of these newer processes. We estimate that American steel companies will add 70 million tons of fast-operating, efficient BOF capacity in the next 20 years at a cost of more than \$1 billion.

We expect Koppers to get a sizable share of this business. Koppers is the world's leading designer and builder of BOF plants. In 1966 alone, the eighth and ninth BOF installations designed by the Company were completed and put into operation. One of these two plants ranks among the largest in the industry and is expected to produce over 2.2 million tons of ingots annually. In total, Koppers has designed about one-third of all the BOF capacity in the United States. We currently have three additional BOF plants under construction. These will produce more than 6 million ingot tons of steel each year.

Continuous Casting

Every major steel producer is giving concentrated attention today to the continuous casting of steel. Our projection is that the industry will build 100 million annual tons of such capacity over the next 20 years. This will create at least \$1 billion in potential new design and construction business.

Koppers has made and is making major contributions to the technology of continuous casting. To date, the Company has built and helped to start up casting machines at seven plants. Design or construction work on six more facilities involving a total of 44 casting strands is currently under way. We received contracts for two casting plants in 1966.

Breakthrough in Coke Oven Technology

Koppers is now offering the American steel industry a newly designed coke oven that will produce 30 per cent more coke in a given time than the largest existing ovens

in this hemisphere, and at 27 per cent higher than the largest ovens anywhere else in the world.

The ovens are modest in size, but they operate at a fast cooking rate made possible by a unique heating system.

The ovens are part of our continuing program of research and development work to reduce coking costs. Our research began with mathematical models and small-scale ovens. By mid-1966, operations were under way at a full-scale demonstration battery of five ovens built at our Kearny, New Jersey, plant. This installation has more than fulfilled expectations by producing more coke per oven, per day than any other existing oven installation.

With this new oven technology, we expect to retain the position of leadership in the coke oven business that Koppers has had in the past.

Future coke oven business could be very substantial. Thirty per cent of the American steel industry's present coking capacity was built before 1942. We estimate that the industry will invest \$1.5 billion in new coking capacity over the next two decades to meet its ironmaking requirements.

Construction Overseas

Our position in the design and construction of overseas steel plant facilities is a strong one. On the basis of Koppers' experience with the most advanced steelmaking technology in the U.S. and abroad, we foresee continued opportunities for profitable construction work outside the United States.

One significant project now under full-scale construction is for Empresa Nacional Siderurgica, S.A. (EN-SIDESA), Spain's largest steel producer. Koppers designed and is helping to build a new blast furnace, a million ton-per-year basic oxygen furnace plant and an 18-strand continuous casting facility at Aviles for EN-SIDESA.

During the year, Koppers was retained by the government of the Republic of South Korea to form and lead an international consortium and to prepare a plan, including financing, for the first phase of an integrated steel plant with an ultimate capacity of one million tons.

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF PHYSICS
530 SOUTH EAST ASIAN AVENUE
CHICAGO, ILLINOIS 60607

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NON-COM TREATING WITH NEW PRODUCTS AND NEW PLANTS A Dramatic Increase in Growth

Our sales of forest products have more than doubled over the past five years, rising from \$42 million in 1961 to \$86 million in 1966. A further increase is expected in 1967. This growth rate has been about twice that of the lumber and wood products industry as a whole during the same period.

This dramatic increase was brought about by the high growth rate of our new processes and new products, with particular emphasis on expanded sales for commercial and industrial construction. Steadily increasing sales of creosote-treated wood to our traditional markets and a resurgence in investment by the railroad industry have also played a substantial role in the growth of forest products sales.

We have spent \$7 million over the past two years to build new pressure-treating plants and to modernize and expand existing facilities. Mechanized material handling equipment has been installed to reduce operating costs, to speed up delivery, and to improve service to our customers. Much of this capital spending has been for facilities and processes used to manufacture new products that are experiencing rapid growth.

New installations at two of our plants have been built to pressure-impregnate wood by our CELLON treating process, which leaves the wood virtually unchanged from its natural state while providing long-lasting protection from decay and termites. We have also doubled our capacity at an existing facility. Our CELLON business has been doubling approximately every eighteen months. To assist in developing the market still further, two companies have been licensed to use the CELLON treating process.

This treatment has opened up new uses for wood, and it has recaptured a number of old uses where wood had been replaced by other materials. CELLON treated wood is being used in stadium seating, roof decking, boat marinas, framing for swimming pools, the highway field, outdoor furniture and utility poles.

With a national emphasis on land "beautification," the use of pre-wired, CELLON treated utility poles, electric transmission structures and street lighting standards should continue to expand. All are available in colors to blend with the surroundings.

We have increased our capacity to produce NON-COM fire-protected wood by 25 per cent in the past two years. NON-COM sales account for about half of all the fire-retardant wood used in the U. S.

In 49 states, insurance companies now accept the use of NON-COM wood in high-rise apartments and office buildings without insurance penalty. Four major codes recognized nationally as "model" building codes, as well as the local codes in most major cities, accept NON-COM as a full alternate to other non-combustible materials.

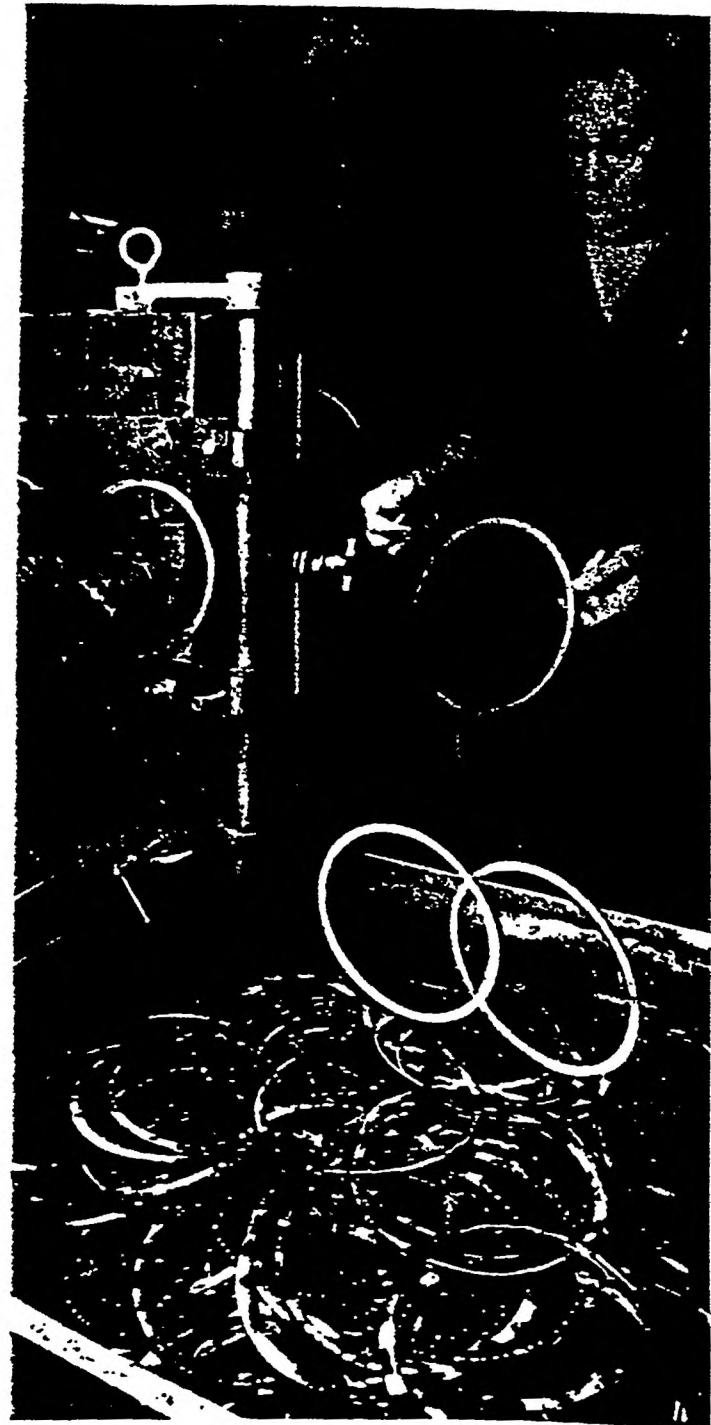
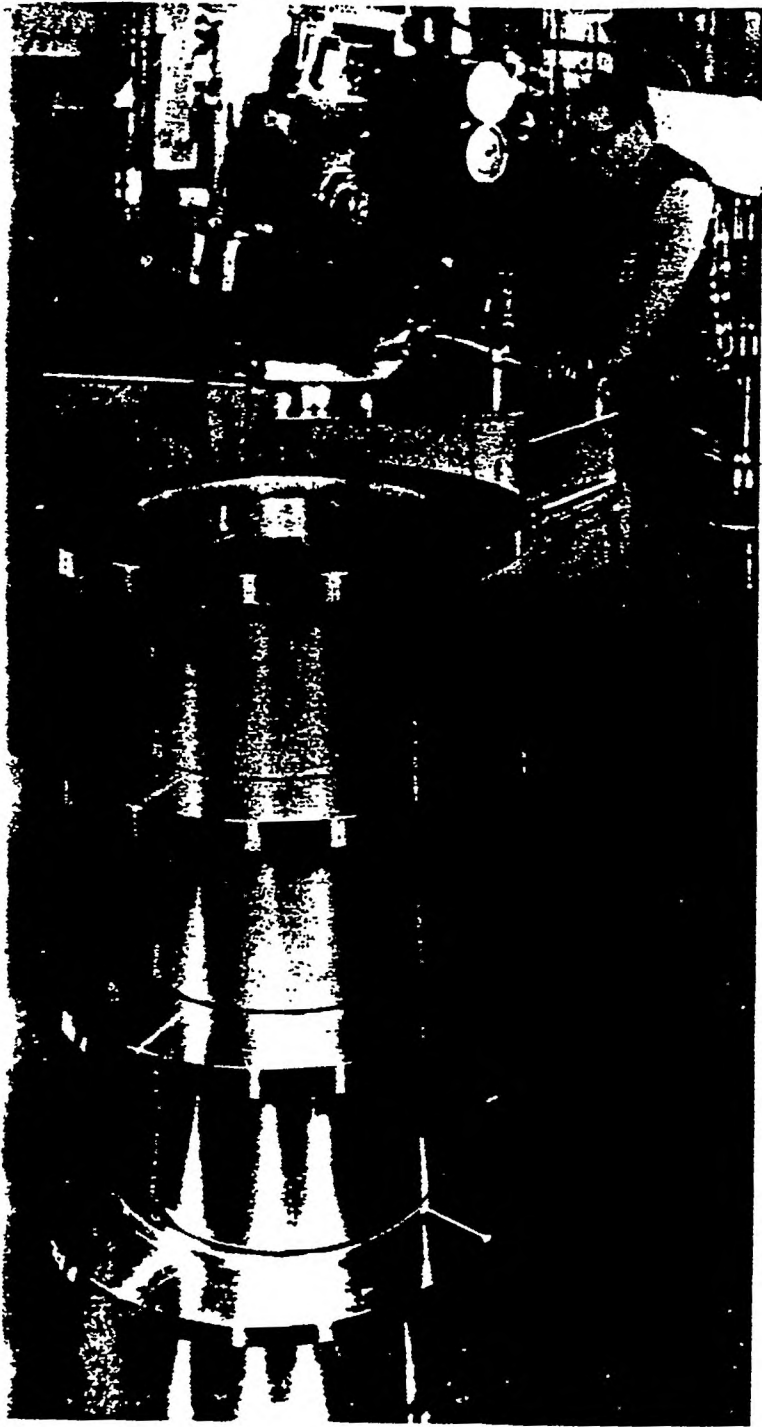
Since entering the field in 1962, Koppers sales of glue-laminated wood beams and arches have increased by 30 per cent. Where the architect wants beauty, long free spans, dramatic effect, corrosion resistance, strength and flexibility of design, he has turned more and more to laminated timber construction.

With the recent completion of a new CELLON treating installation at Morrisville, N. C., we have for the first time combined at one location the capability to pressure-treat and laminate such products as beams, arches, lighting standards and electric transmission structures. The major markets for these products are the utility industry, chemical-fertilizer storage and processing facilities, and commercial and institutional structures.



The use of NON-COM wood in race track stables and riding academies is growing rapidly. Here it has been used in a new 50-stall stable at Maryland's Laurel track in the roof, doors and stall kickboards.

Shows a Kupper machine, a precision-
 machine for turning steel, which produces
 the shafts for the motor and generator of the
 turbine. It is the machine which produces
 precision-machined metal products.



*To meet the increased demands of the markets...
in \$8 million investment program
for continued growth*

Koppers metal products sales have nearly doubled since 1960. Another sales gain is expected in 1967.

To meet the demands of the growing markets in this segment of our business, expansions and improvements totaling over \$8 million have been carried out at our metalworking facilities over the past two years. We have invested in machinery and equipment to reduce costs, to increase capacity and to maintain high quality standards. In the three lines that account for two-thirds of the Company's metal product sales — power transmission couplings, piston and sealing rings and container machinery — we have built or are building new or greatly expanded production facilities.

These are the major developments in our metal products business:

New Coupling Plant

Ground was broken near Baltimore for the world's largest flexible coupling plant. When this plant is in full operation early in 1967, it will increase our capacity to produce couplings by 30 per cent.

Couplings are used to transmit power from one rotating shaft to another, and to compensate for shaft misalignment. Koppers is a world leader in the manufacture of couplings, with particular strength in those used in machinery and equipment operating at high speeds and under demanding conditions.

Expanded Piston Ring Facilities

We are adding 30 per cent to our capacity to produce piston and sealing rings. The new facilities will also be in operation early in 1967.

Koppers piston and sealing ring business has been growing since 1961 at the rate of 14 per cent per year. Sales of our small-diameter rings, which we developed for use in high-speed diesel engines, have increased 37 per cent annually in that time, and we have become a prominent supplier in this market. Other rapidly growing ring markets include sealing rings for jet aircraft engines and rings for compressors and hydraulic cylinders.

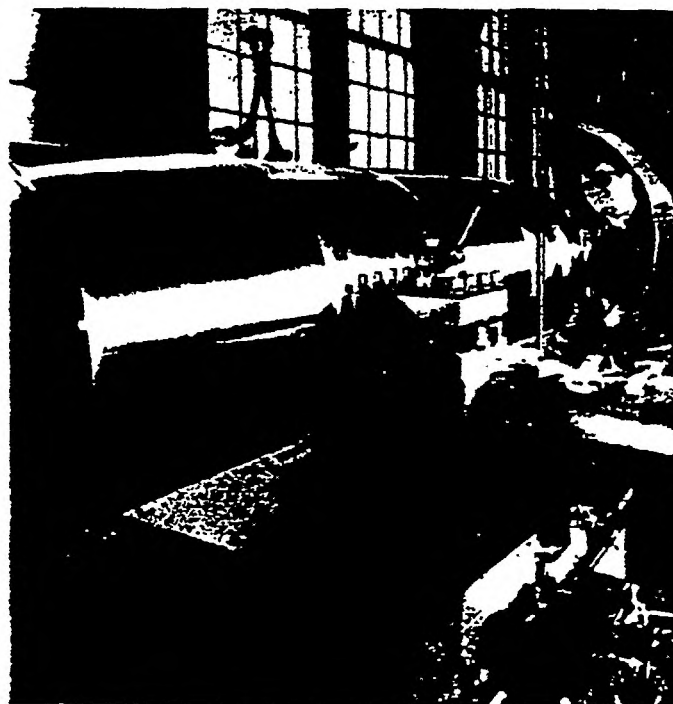
A base for the sale and manufacture of Koppers industrial piston rings in the European Common Market countries was established in 1966 with the purchase of a

majority interest in L'Industriale S.p.A., a leading Italian producer of medium- and large-diameter piston rings used in diesel engines. This new affiliation will enable us to participate in the growing European market for small-diameter diesel engine rings.

Greater Container Machinery Capacity

We have undertaken a 30 per cent expansion of our capacity to produce container-making machinery. This expansion was started late in 1966 and is expected to be completed in the second half of 1967.

In this field, the Company is a leading producer of corrugating and box-making machinery. This product line includes machines to convert kraft paper to corrugated board and machines to fold, glue, slot and print the corrugated board to form corrugated boxes. We are introducing major innovations and improvements in our corrugating and printing equipment. An annual growth rate of about 6 per cent is foreseen for this machinery, a growth that we believe will be world-wide and relatively non-cyclical.



MARAL provides flooring for the most demanding
 applications. It is strong and durable, it
 resists stains, MARAL has a smooth surface,
 makes flooring, has a long life span,
 is economical to maintain, and provides excellent
 sanitation. It is ideal for such high traffic areas as
 schools, hospitals, banks, restaurants, and factories.



CHEMICALS: New processing facilities are providing the increased efficiencies and capacities needed to supply growing markets

Koppers has invested \$9 million during 1965-1966 in new and expanded chemical and tar processing facilities.

A major portion of this amount is being expended to strengthen and broaden the chemical end of our tar and chemical operations. Sales of Koppers chemicals have increased 60 per cent in the past five years. Since these are essential chemicals used in many of the faster growing processes of American industry, their growth is expected to continue at a high rate.

These are the major developments in our growing tar and chemical business:

We began an expansion of existing phthalic anhydride facilities that by mid-1967 will increase our capacity by 40 per cent, from 50 million pounds a year to 70 million pounds. Additionally, plans were announced for a new 100 million pound-per-year phthalic plant, with completion targeted for late 1968 or early 1969. This basic chemical is used primarily in alkyl resins for paints, in plasticizers, and in polyester resins.

New West Coast Facilities

During 1966, we added a resin plant in Richmond, California, that has provided Koppers with a regional operation for serving customers in growing West Coast markets. This has increased the Company's capacity to produce polyester and various paint resins. The prime Western market for polyesters is the growing reinforced plastics industry. The paint manufacturing field is the important market for the other resins.

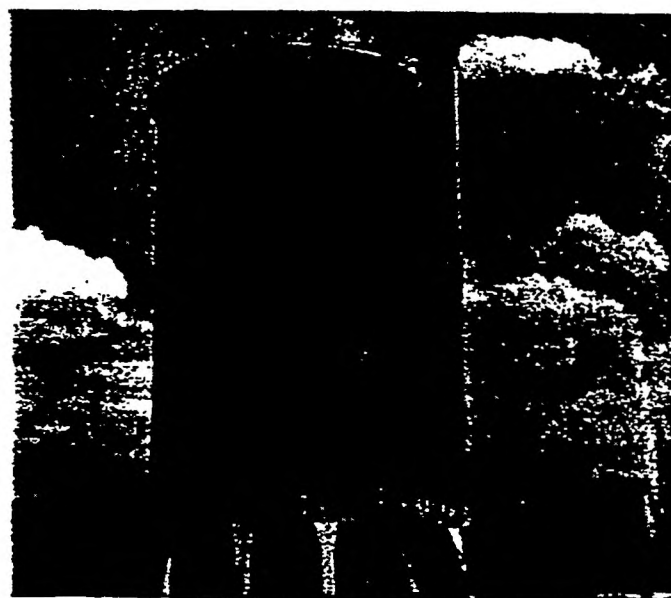
We further increased our ability to serve the Western market with the construction of a new tar processing plant at Portland, Oregon. The plant's major products will include electrode binder pitch for the Northwest aluminum industry and creosote for the wood-treating industry. Koppers is a leading supplier to the U. S. and Canadian aluminum industry, a market that has been growing about 10 per cent annually. The aluminum industry uses one pound of binder pitch in producing seven pounds of aluminum.

Koppers growth in corrosion prevention products clearly establishes the Company as a leader in this field. We have broadened and improved the Company's line of bituminous and chemical-based, colored coatings for

pipelines, industrial maintenance, sewage and water works, and marine and swimming pool applications. A number of protective coatings introduced in 1966 received excellent reception.



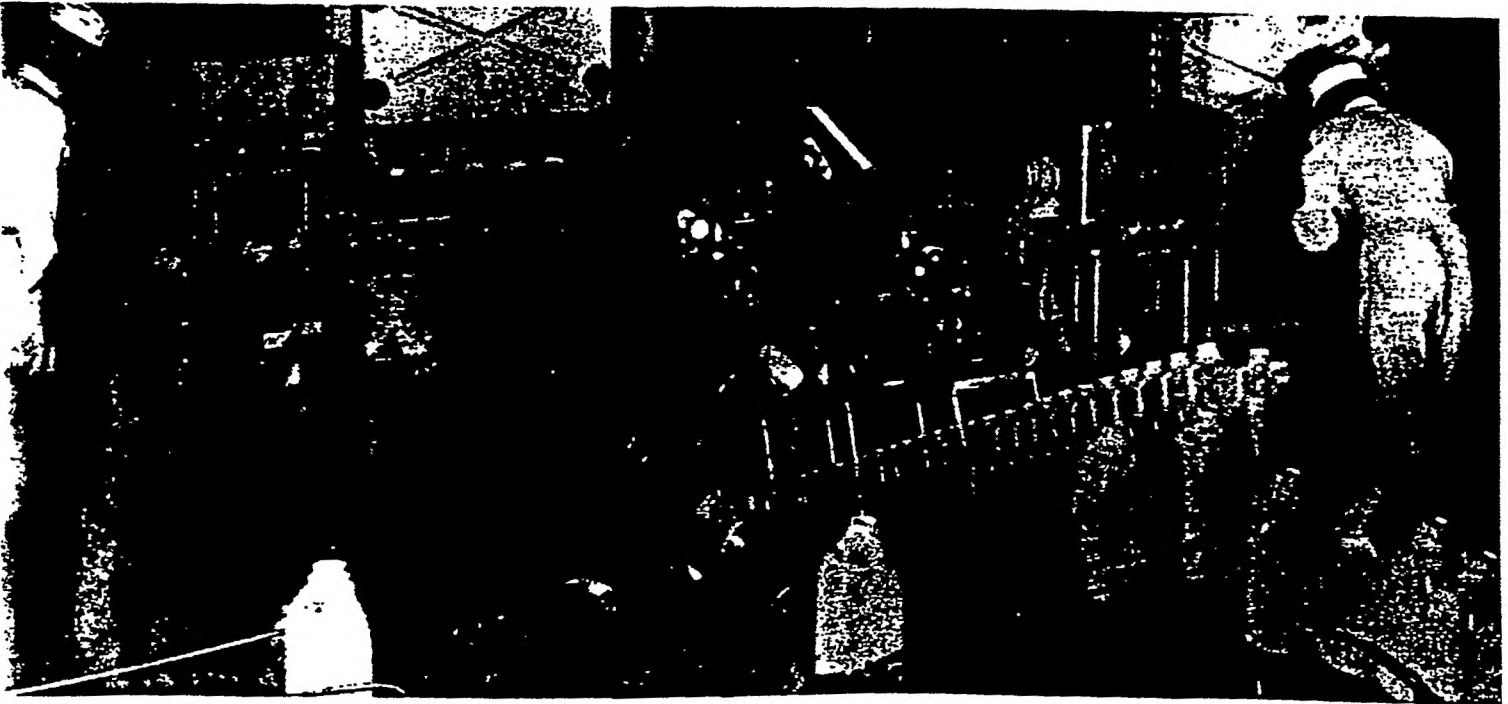
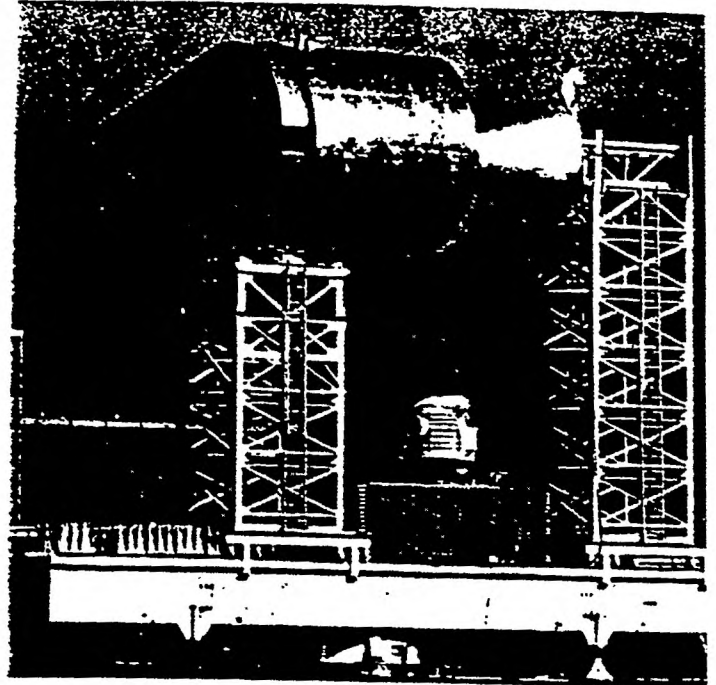
Expansion of Koppers phthalic anhydride facilities will help fill the growing demand for this industrial chemical.



Koppers protective coatings will resist corrosive attack on the interior and exterior, steel and concrete surfaces of this Salt Lake City sewage treatment facility.

Source: "The World's Largest Coal Mine" by
 William L. Harrison, Jr., published in the
 Engineering and Mining Journal, December 1954, p. 10.
 and "The World's Largest Coal Mine" by

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*Plans are paying off in a program
to meet the demands of one of
America's fastest growing markets.*

The story of Koppers plastics operations in 1966 is one of continued growth . . . of long range plans nearing realization . . . of new products and facilities . . . of plastics finding new markets.

Sinclair-Koppers

In the early months of 1967, Sinclair-Koppers will complete two major phases of an expansion program begun in January, 1965, when the partnership in thermoplastics with Sinclair Petrochemicals, Inc. was formed.

An ethylene plant at Houston, Texas, will come on stream with an annual capacity of 500 million pounds, and will make the partnership fully competitive with respect to the raw material supply for its polyethylene operations.

At nearby Port Arthur, completion of a new high-density polyethylene unit, and expansion of existing low-density polyethylene facilities, will bring our total polyethylene capacity at that site to more than 200 million pounds annually, compared to 60 million pounds at the beginning of 1965. The national growth rate for high-density polyethylene has been about 20 per cent per year and the demand for this material could accelerate dramatically if new developments such as the non-returnable, polyethylene milk bottle (illustrated on opposite page) succeed as well nationally as in test markets.

In other areas of the expansion program:

A new plant which can produce 100 million pounds of polystyrene per year was added late in 1966 at Sinclair-Koppers styrene-based complex at Kobuta, Pa. This gives us an improved cost position for conventional polystyrene plastic.

In the second quarter of 1967, DYLITE expandable polystyrene capacity will be increased by 25 per cent with the start-up of new production facilities. This addition follows closely an earlier 50 per cent expansion completed in 1965. Use of this foam plastic — for packaging of breakable articles, in produce containers, in hot and cold drink cups and in insulation applications — is growing faster than twice the growth rate of the plastics industry as a whole.

Styrene-butadiene latex facilities at Kobuta are currently being expanded and about one-third more capacity will be available during the first quarter of 1967. The

growing use of Sinclair-Koppers steel tin canister packings has made the expanded facilities necessary.

Work has also started on expansion of facilities to make ethylbenzene and styrene monomer, raw materials which support the Kobuta polystyrene operations.

To increase its market penetration, Sinclair-Koppers is moving into the production and sale of end products. Such end-use items as polyethylene film, bottles and container closures and foam plastic packaging accounted for 14 per cent of Sinclair-Koppers sales in 1966.

Koppers International Plastics Investments

The Company's growing overseas plastics business now includes four affiliates: two in Brazil, one in Argentina and a 1965 investment in Spain.

This latest investment involved the purchase of a one-half interest in Arrahona, S.A., a polystyrene firm headquartered at Barcelona, Spain. The outlook for our investment in Arrahona is encouraging, especially since the Spanish markets for polystyrene are expected to grow 15 to 20 per cent annually based on steadily increasing demand for end uses such as refrigerator components, television sets, other appliances and packaging.

Reinforced Plastics

In 1966 we further broadened our market development approach to reinforced plastics by the addition of two California facilities.

The technology of fiberglass reinforced plastics is barely beyond its infancy, but it has already produced a whole new family of materials being used in hundreds of products. Reinforced plastic products have a very high strength-to-weight ratio. They have exceptional resistance to corrosion, moisture and impact, will not conduct electricity, and can readily be molded and fabricated.

Our emphasis has been in the newer areas of reinforced plastics technology, and on proprietary products for fast growing markets. Koppers has a basic position in the plastic resins used in this business.

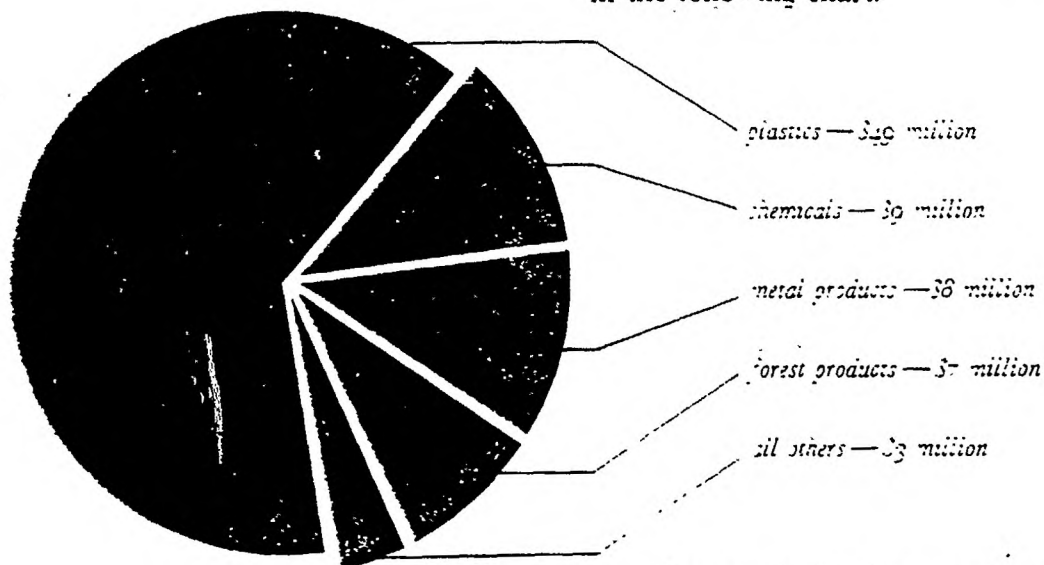
Sinclair-Koppers is among the leaders in the efforts to date to develop the market for non-returnable polyethylene milk bottles. In the integrated plant shown at the right, bottles produced by in-plant molding machines are filled with milk and shipped to customers.

A \$75 million investment program to increase earnings and to improve the position of leadership.

Earnings derived from Koppers manufacturing operations have been growing at an average annual rate in excess of 10 per cent. Thus, progress is being made in our goal to achieve a more satisfactory earnings level.

The outlook for future growth of these manufacturing earnings is good, as is the continuing outlook for growth in product sales. To take advantage of these opportunities for significant growth and higher earnings, Koppers invested about \$75 million in new plants and equipment between January 1, 1965, and December 31, 1966.

The approximate distribution of this investment among our manufacturing operations is illustrated in the following chart.



Our continuing investment program is directly related to our stated operating philosophy: "we will become seriously involved only with those markets and products where we now have a leadership position in terms of market position, raw material costs, process efficiency, product quality and technical, and marketing know-how, or where we have the inherent potential to achieve such leadership."

Executive Changes

Several major executive changes were made in 1966.

Thomas C. Cochran, Jr. was appointed vice president, general counsel and manager of the law department. He was also elected secretary of the Company. Mr. Cochran, a member of Koppers legal staff for ten years, had been counsel and assistant secretary. He succeeds John M. Crimmins, manager of the law department since 1961, who resigned to enter private law practice.

Robert G. Wilson was elected vice president and general manager of the Engineering and Construction Division, following the retirement of Henry A. Denny who had directed the Division's activities since 1961. Mr. Wilson has been with the Division for over 13 years and, prior to his present assignment, served as assistant general manager. Jack D. Rice, a vice president of the Division, was named assistant general manager and will continue to have the prime responsibility for the Division's marketing activities. John A. Hagan, vice president, was appointed manager of operations for the Division. During the past five years, Mr. Hagan served as president of Koppers of Turkey, Inc. with responsibility for construction of the new steel plant at Eregli, Turkey, and assistance in the management of the completed facility.

T. D. Taubeneck was appointed vice president and assistant general manager of International Operations. A member of Koppers law department since 1961, Mr. Taubeneck is a graduate of the Woodrow Wilson School of Public and International Affairs at Princeton University and the Harvard Law School. He has been closely associated with our overseas operations for several years.

In the Forest Products Division, B. G. Bartley, Jr. was named vice president and marketing manager and Paul Wayman was appointed vice president and operating manager. Mr. Bartley was previously Division sales manager and Mr. Wayman had been an assistant vice president and assistant to the general manager.

William B. Jackson was named general manager of the Tar and Chemical Division. A vice president in that Division, he previously was manager of operations. T. H. Bartholomew was appointed a vice president of that Division and continues as manager of procurement. B. Otto Wheelley was assigned the responsibility for all Tar and Chemical Division marketing activities, in addition to his duties as vice president and manager of the Company's marketing department.



THOMAS C. COCHRAN, JR.



ROBERT G. WILSON



JACK D. RICE



JOHN A. HAGAN



T. D. TAUBENECK



B. G. BARTLEY, JR.



PAUL WAYMAN



WILLIAM B. JACKSON



T. H. BARTHOLOMEW



B. OTTO WHEELLEY

Source and Disposition of Funds
In Thousands of Dollars

Source	1977	Disposition	1977
Net Income	\$11,334	Dividends Paid	\$ 7, 87
Depreciation and Depletion	13,245	Capital Expenditures and Investments	-
Increase in Long-term Debt	33,715	Increase in Working Capital	14, 33
Decrease in Other Assets	1,470		
	\$67, 519		\$67, 519

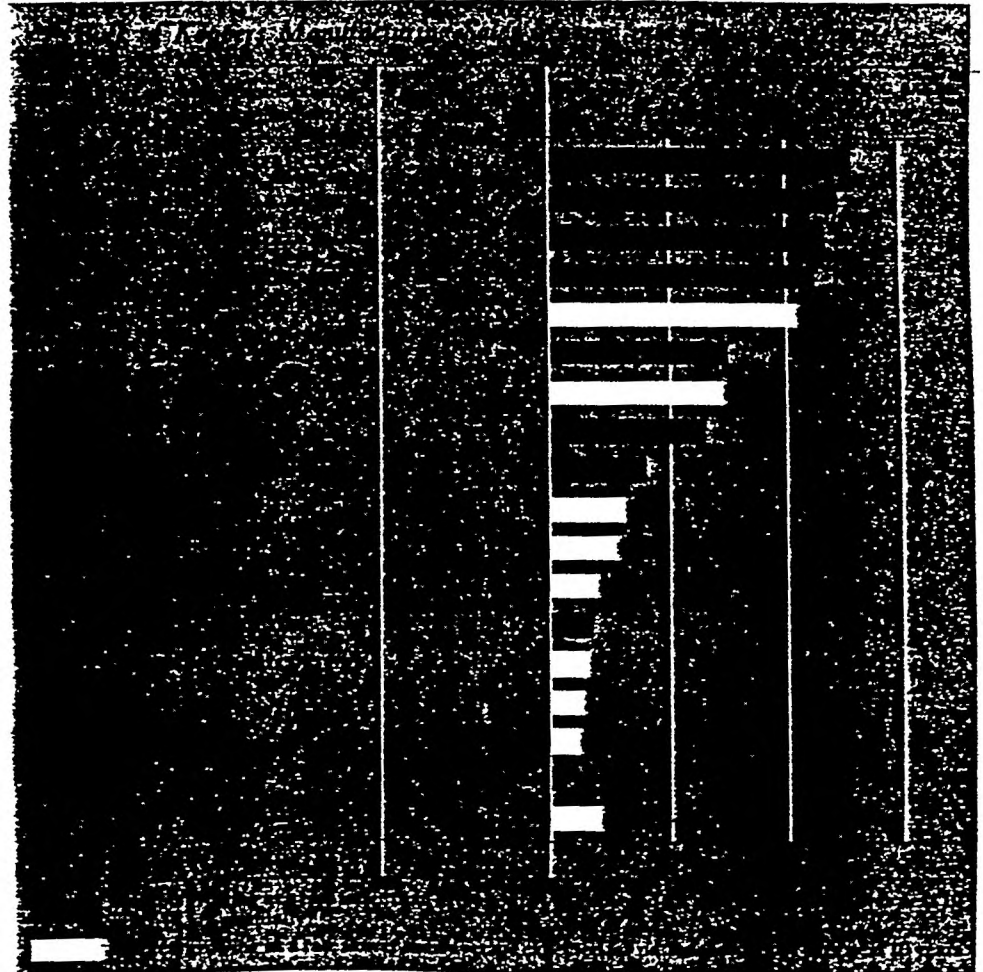


\$213,715 \$197,590 \$224,448



\$241,728 \$259,847 \$327,142

Current Stockholders 16,850
Employees 13,413
Pension 95



We have about the same number of upcoming contract expirations in 1967 as occurred in 1966.

Company Backlog

The Company's backlog on December 31, 1966, was \$245 million, slightly below the record backlog of \$248 million at the end of 1965.

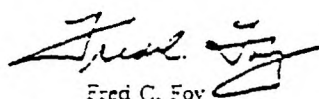
The manufacturing portion of our backlog was well above the year-earlier level, reflecting the strong rate of new orders for Koppers products that prevailed throughout the year.

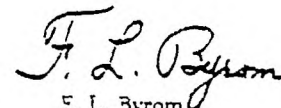
The backlog that relates to construction was lower at the end of 1966 than at the beginning of the year.

However, this backlog is very substantial, and is in the area of a full year of construction sales at the 1966 rate.

Outlook

Earnings in 1967 are expected to show appreciable improvement over 1966, with sales at or above the 1966 level in spite of signs that the general economy might be slowing down.


Fred C. Fox
Chairman of the Board


F. L. Byrom
President

	1966						
	\$103,732						
	60,303						
	59,450						
	44,356						
	12,589						
TOTAL MANUFACTURING	\$306,770	\$270,936	\$258,936	\$238,618	\$238,404	\$222,613	\$229,670
	121,323						
	1,561						
TOTAL	\$429,970	\$371,010	\$334,817	\$292,834	\$301,148	\$273,443	\$302,539

in notes payable under a \$65 million line of credit negotiated in March, 1966.

As announced earlier, this \$65 million loan agreement — to finance the Company's growth in plant capacity and sales — was arranged in 1966 with a group of nine banks. Under this line of credit, Koppers can borrow on a revolving basis until March 1, 1968. At that time, any funds borrowed under the agreement will become a term loan payable in semiannual installments during the following five years. The Company has the option of substituting longer-term debt for the bank loans.

Investment Credit

Koppers investment credit, which was equal to 29 cents per share in 1965, amounted to 27 cents per share in 1966. It should be about twice that much in 1967, reflecting completion of several major plant units in the current year.

Other Financial Matters

Total shares of Koppers common stock outstanding as of the end of 1966 amounted to 4,674,612, reflecting the two-for-one split of the common stock on March 29, 1966. During the year 114,928 shares previously purchased by the Company and held in the treasury were used in two acquisitions.

Common stock owners received total dividend payments of \$6.5 million (\$1.40 per share) during 1966, compared to \$5.4 million (\$1.20 per share) during 1965. Dividends totaling \$600,000, equal to \$4.00 a share, were paid to preferred stockholders.

Cash flow from operations during the year — consisting of net income, depreciation, depletion and deferred federal income tax — totaled \$24.8 million, equal to \$5.17 per share. This compares with cash flow of \$25 million, or \$5.36 per share, in 1965.

Inventories on December 31, 1966, amounted to \$61.2 million, compared to \$53.3 million at the end of the preceding year. Receivables at year end 1966 totaled

Douglas Grymes Elected Executive Vice President



Koppers has experienced in recent years. During 1966, it became apparent that to utilize the present location and future development of the Company, additional strength in the executive offices was desirable.

In December, Douglas Grymes was elected executive vice president and will share responsibility for the day-to-day operations of all Koppers divisions and departments.

Mr. Grymes has been vice president and general manager of the Company's Forest Products Division since 1958, and a director of the Company since March of 1966. He will continue to have general supervision of the Forest Products Division.

Mr. Grymes has been with the Division for over 30 years in a number of sales and management positions. Since he was named general manager of Forest Products, the Division's sales have doubled and the operations have been broadened from a wood preserving business to the production of a diverse line of forest products.

\$92.6 million, compared to \$77.4 million on December 31, 1965.

Labor Relations

During 1966 the Company negotiated mutually agreeable work contracts at 28 plants with just five work stoppages. In 70 per cent of these settlements we obtained agreements of two years or more duration. The five strikes totaled 91 days, and ranged in length from 1 to 47 days. In most cases, we were able to continue operations at these plants.

To Our Shareholders

January 1, 1967

Koppers sales continued to improve in 1966, exceeding \$400 million for the first time. Sales volume totaled \$420 million, up from \$371 million in 1965.

The Company's manufacturing units set a sales record of \$406.3 million, 17 per cent above 1965. Earnings from these manufacturing operations also rose substantially in 1966.

Net income for the year was \$11,330,000 compared to \$12,052,000 in 1965. After payment of preferred dividends, 1966 earnings were equivalent to \$2.31 per share of common stock outstanding, compared to \$2.31 in 1965.

This \$2.31 figure was after deducting losses equivalent to 47 cents per common share incurred during the year in our engineering and construction business.

Construction Problems

The improved manufacturing earnings achieved in 1966 were more than offset by the loss situation that occurred in our usually profitable construction business. This was the first loss year in construction since formation of the present Company in 1944, and resulted largely from the nationwide shortage of skilled construction labor. In order to fulfill contract commitments, it became necessary to greatly extend the length of the average work week and all too often to employ less-skilled workers. Inevitably, this meant that many more hours were required to complete a given contract than we ever previously experienced.

The greatest impact came from contracts that were negotiated in 1964, but on which field labor requirements peaked in 1966. Steps have been taken during the past year designed to protect us against the adverse effects of a recurrence of this labor problem. Consequently, we expect our construction operations in 1967 to contribute again to overall Company earnings.

Record Level of Capital Investments

In 1966 the Company invested \$46.7 million in new plant construction and expansion, in the modernization



of existing facilities and in new acquisitions and investments. This brings our two-year investment total to \$75.8 million, twice the Company's average annual investment rate of \$17 million in the five-year period 1960 through 1964.

With a number of large expansions nearly completed, capital investments in 1967 will be less than in 1966, but are expected to approach \$30 million. The bulk of this investment will be used to complete projects started in 1965 and 1966.

Increased Interest Charges

Much higher interest expenses have resulted from the borrowings required to finance this sizable capital investment program. Interest charges were \$3.3 million in 1966, an increase from 1965 of \$2.2 million. The effect of this heavy interest expense on our earnings was magnified in 1966, since the major investments that brought about this greater interest burden were not yet contributing to Company earnings.

Company Debt

The Company's term debt on December 31, 1966, totaled \$68 million (28 per cent of total capitalization) and consisted primarily of \$10 million in promissory notes placed privately in August, 1966, and \$58 million

A RECORD INVESTMENT PROGRAM

TO IMPROVE FUTURE EARNINGS

At the end of 1964, Koppers announced a \$300 million capital investment program to be carried out in 1965, 1966 and 1967.

Through this record investment program, over our average annual investment rate in the five years preceding 1965, we are adding manufacturing capacity to take full advantage of Koppers' leadership position in rapidly growing markets, and to reduce raw material and operating costs.

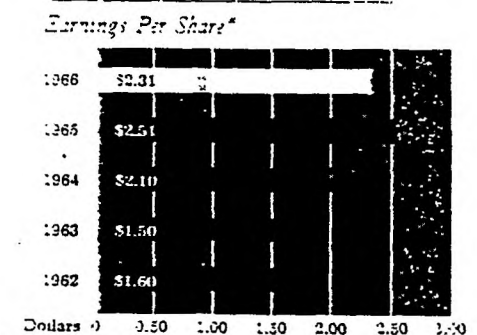
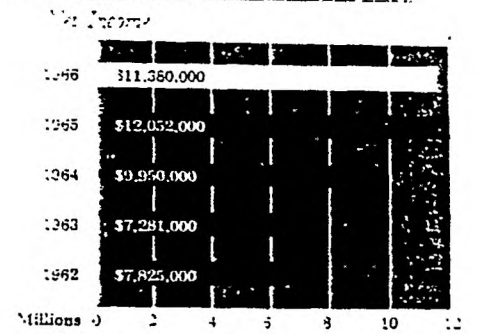
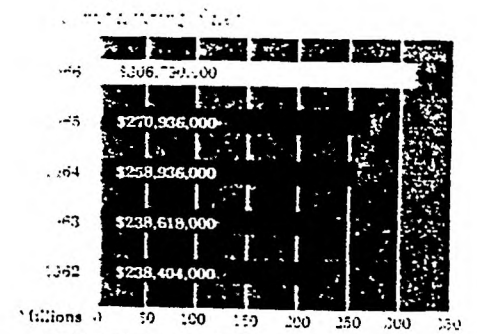
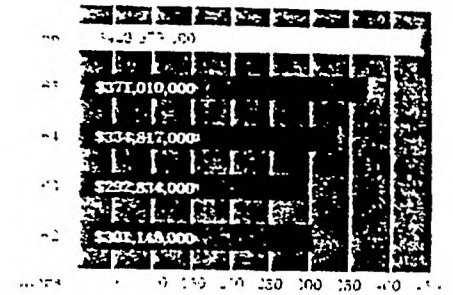
During 1965 and 1966 alone, about \$200 million of this investment program will be completed.

Some of the major units involved in this expansion program will be completed by mid-1967, and the resulting improvement in earnings is expected to take place in the years when these facilities start up and begin operating at their level of production.

A major impact on earnings should also be felt in 1968, the first full year of production for a number of these new units.

By 1969, we expect earnings from the manufacturing portion of the Company to reflect significantly the effect of these new investments.

The bulk of this Report is devoted to our three-year investment program, and what it will mean to Koppers' future growth and earnings potential.



*1965 and prior years restated to reflect two-for-one split of common stock on March 29, 1966



The 500 million pound-per-year Sinclair-Koppers ethylene plant nears completion at Houston, Texas

Koppers Company, Inc., Pittsburgh, Pa. 15219