Koppers Holdings Inc.
Form 10-Q
May 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

Commission file number 1-32737

KOPPERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	20-1878963
(State of incorporation)	(IRS Employer Identification No.)

436 Seventh Avenue

Pittsburgh, Pennsylvania 15219

(Address of principal executive offices)

(412) 227-2001

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Common Stock, par value $0.01 per share, outstanding at April 30, 2010 amounted to 20,544,615 shares.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended March 31,	
	2010	*2009*
(Dollars in millions, except per share amounts)	*(Unaudited)*	
Net sales	$ 274.3	$ 272.7
Cost of sales (excluding items below)	233.7	233.9
Depreciation and amortization	6.4	6.0
Selling, general and administrative expenses	17.4	14.4
Operating profit	16.8	18.4
Other income	1.7	
Interest expense	6.9	10.2
Income before income taxes	11.6	8.2
Income taxes	4.2	3.4
Income from continuing operations	7.4	4.8
Loss on sale of discontinued operations, net of tax benefit of $0.2		(0.2)
Net income	7.4	4.6
Net income attributable to noncontrolling interests	0.1	0.5
Net income attributable to Koppers	$ 7.3	$ 4.1
Earnings per common share attributable to Koppers common shareholders:		
Basic		
Continuing operations	$ 0.36	$ 0.21
Discontinued operations		(0.01)
Earnings per basic common share	$ 0.36	$ 0.20
Diluted		
Continuing operations	$ 0.36	$ 0.21
Discontinued operations		(0.01)
Earnings per diluted common share	$ 0.36	$ 0.20
Weighted average shares outstanding *(in thousands):*		
Basic	20,473	20,429
Diluted	20,632	20,479
Dividends declared per common share	$ 0.22	$ 0.22

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in millions, except per share amounts)	*March 31, 2010 (Unaudited)*	*December 31, 2009*
Assets		
Cash and cash equivalents	$ 23.5	$ 58.4
Short-term investments		4.4
Accounts receivable, net of allowance of $0.4 and $0.5	133.1	102.5
Income tax receivable	21.1	37.1
Inventories, net	157.6	152.7
Deferred tax assets	8.5	8.5
Other current assets	17.8	17.4
Total current assets	361.6	381.0
Equity in non-consolidated investments	4.7	4.7
Property, plant and equipment, net	154.6	149.3
Goodwill	69.0	61.6
Deferred tax assets	24.4	25.9
Other assets	26.1	21.9
Total assets	$ 640.4	$ 644.4
Liabilities		
Accounts payable	$ 82.7	$ 67.3
Accrued liabilities	54.0	59.8
Dividends payable	4.5	4.5
Short-term debt and current portion of long-term debt	0.2	0.2
Total current liabilities	141.4	131.8
Long-term debt	314.6	335.1
Accrued postretirement benefits	82.0	81.9
Other long-term liabilities	39.7	40.8
Total liabilities	577.7	589.6
Commitments and contingent liabilities (Note 16)		
Equity		
Senior Convertible Preferred Stock, $0.01 par value per share; 10,000,000 shares authorized; no shares issued		
Common Stock, $0.01 par value per share; 40,000,000 shares authorized; 21,243,698 and 21,124,212 shares issued	0.2	0.2
Additional paid-in capital	134.1	127.2
Retained deficit	(34.6)	(37.3)
Accumulated other comprehensive loss	(23.6)	(22.7)
Treasury stock, at cost, 699,082 and 669,340 shares	(24.5)	(23.6)
Total Koppers stockholders equity	51.6	43.8
Noncontrolling interests	11.1	11.0
Total equity	62.7	54.8
Total liabilities and equity	$ 640.4	$ 644.4

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended March 31,	
	2010	*2009*
(Dollars in millions)	*(Unaudited)*	
Cash provided by (used in) operating activities:		
Net income	$ 7.4	$ 4.6
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	6.8	6.5
Gain on sale of fixed assets	(1.6)	
Deferred income taxes	1.0	(1.7)
Equity income, net of dividends received		0.1
Change in other liabilities	(0.8)	3.7
Non-cash interest expense	0.1	4.6
Stock-based compensation	0.9	0.8
Other	0.2	
(Increase) decrease in working capital:		
Accounts receivable	(22.4)	(1.3)
Inventories	1.5	14.7
Accounts payable	6.8	(13.5)
Accrued liabilities and other working capital	16.3	3.1
Net cash provided by operating activities	16.2	21.6
Cash provided by (used in) investing activities:		
Capital expenditures	(2.5)	(3.8)
Acquisitions	(22.3)	
Net cash proceeds from divestitures and asset sales	1.7	
Net cash used in investing activities	(23.1)	(3.8)
Cash provided by (used in) financing activities:		
Borrowings of revolving credit	25.8	
Repayments of revolving credit	(46.9)	
Repayments of long-term debt	(0.1)	
Repurchases of Common Stock	(0.9)	
Payment of deferred financing costs	(0.1)	
Dividends paid	(4.5)	(4.5)
Net cash used in financing activities	(26.7)	(4.5)
Effect of exchange rate changes on cash	(1.3)	(0.2)
Net increase (decrease) in cash and cash equivalents	(34.9)	13.1
Cash and cash equivalents at beginning of year	58.4	63.1
Cash and cash equivalents at end of period	$ 23.5	$ 76.2

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOPPERS HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Holdings Inc. s and its subsidiaries (Koppers , Koppers Holdings or the Company) financial position and interim results as of and for the periods presented have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Because the Company s business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet for December 31, 2009 has been summarized from the audited balance sheet contained in the Annual Report on Form 10-K for the year ended December 31, 2009.

The financial information included herein should be read in conjunction with the Company s audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2009.

2. Dividends

On May 5, 2010, the Company s board of directors declared a quarterly dividend of 22 cents per common share, payable on July 6, 2010 to shareholders of record as of May 17, 2010.

3. Business Acquisition

On March 1, 2010, the Company acquired 100 percent of the outstanding shares of privately-owned Cindu Chemicals B.V. (Cindu), a Dutch company which operates a 140,000 metric ton coal tar distillation plant in Uithoorn, Netherlands. Concurrent with the acquisition, the Company entered into a long-term tar supply agreement with Corus Staal, who supplies the majority of the Uithoorn plant s raw material requirements. The acquisition strengthens the Company s presence in Europe and increases the Company s ability to service its export markets.

The acquired company contributed revenues of $4.7 million and operating profit of $0.3 million for the month ended March 31, 2010. Cindu s revenues were $6.8 million and its operating loss was $1.6 million in 2010 for the period prior to the acquisition. Cindu s revenues were $9.4 million and its operating loss was $2.0 million for the three months ended March 31, 2009. The pro forma results of operations if the acquisition had been completed as of the beginning of the year in 2010 or 2009 would have been pro forma revenues of $281.1 million and $282.1 million for the three months ended March 31, 2010 and 2009, respectively. Pro forma operating profit would have been $15.2 million and $16.3 million for the three months ended March 31, 2010 and 2009, respectively.

The acquisition was funded with cash on hand and the acquisition price was $21.0 million, net of estimated working capital adjustments. To the extent the working capital adjustment is different than the amount estimated, the amount of goodwill acquired will change. The provisional identifiable assets acquired and liabilities assumed upon the acquisition of Cindu were as follows. Items subject to adjustment during the measurement period include, among other items, final valuations for tangible and intangible assets and other liabilities.

(Dollars in millions)	*March 1, 2010*
Cash and cash equivalents	$ 2.1
Accounts receivable	6.5
Inventory	7.1
Other current assets	1.5
Property, plant and equipment	8.3
Intangibles	3.6
Goodwill	7.4
Total assets acquired	36.5
Accounts payable	9.8
Accrued liabilities	3.2
Long-term debt	0.6
Deferred tax liability	1.1
Long-term liabilities	0.8
Net assets acquired	$ 21.0

All assets acquired and liabilities assumed were recorded at estimated fair value. Goodwill of $7.4 million was allocated to the Carbon Materials & Chemicals segment and is not deductible for income tax purposes under Dutch law. Net assets acquired included intangible assets with respect to a coal tar supply agreement of $2.8 million which will be amortized over a period of 10 years and a favorable lease agreement of $0.8 million which will be amortized over a period of three years. Acquisition expenses were $1.6 million for the three months ended March 31, 2010 and are charged to selling, general and administrative expenses.

4. Fair Value Measurements

Carrying amounts and the related estimated fair values of the Company s financial instruments as of March 31, 2010 and December 31, 2009 are as follows:

	March 31, 2010		*December 31, 2009*	
(Dollars in millions)	*Fair Value*	*Carrying Value*	*Fair Value*	*Carrying Value*
Financial assets:				
Cash and cash equivalents, including restricted cash	$ 23.5	$ 23.5	$ 58.4	$ 58.4
Short-term investments			4.4	4.4
Investments and other assets[(a)]	1.3	1.3	1.3	1.3
Financial liabilities:				
Long-term debt (including current portion)	$ 327.7	$ 314.8	$ 344.8	$ 335.3

(a) Excludes equity method investments.

Cash and short-term investments The carrying amount approximates fair value because of the short maturity of those instruments.

Investments and other assets Represents the broker-quoted cash surrender value on universal life insurance policies. This assets is classified as Level 2 in the valuation hierarchy and is measured from values received from financial institutions.

Debt The fair value of the Company s long-term debt is estimated based on the market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (Level 2). The fair values of the revolving credit facility approximate carrying value due to the variable rate nature of these instruments.

5. Comprehensive Income and Equity

Total comprehensive income for the three months ended March 31, 2010 and 2009 is summarized in the table below:

	Three Months Ended March 31,	
(Dollars in millions)	*2010*	*2009*
Net income	$ 7.4	$ 4.6
Other comprehensive income (loss):		
Change in currency translation adjustment	(1.6)	(3.8)
Change in unrecognized pension net loss, net of tax of $(0.5) and $(0.5)	0.8	0.9
Change in unrecognized transition asset, net of tax of $0.1	(0.1)	
Total comprehensive income	6.5	1.7
Less: net income attributable to noncontrolling interests	0.1	0.5
Comprehensive income attributable to Koppers	$ 6.4	$ 1.2

The following tables present the change in equity for the three months ended March 31, 2010 and March 31, 2009, respectively:

(Dollars in millions)	*Total Koppers Shareholders Equity*	*Noncontrolling Interests*	*Total Equity*
Balance at January 1, 2010	$ 43.8	$ 11.0	$ 54.8
Net income	7.3	0.1	7.4
Issuance of common stock	3.2		3.2
Employee stock plans	3.7		3.7
Other comprehensive income (loss)	(0.9)		(0.9)
Dividends	(4.6)		(4.6)
Repurchases of common stock	(0.9)		(0.9)
Balance at March 31, 2010	$ 51.6	$ 11.1	$ 62.7

(Dollars in millions)	*Total Koppers Shareholders Equity*	*Noncontrolling Interests*	*Total Equity*
Balance at January 1, 2009	$ 18.0	$ 8.0	$ 26.0
Net income	4.1	0.5	4.6
Issuance of common stock	0.2		0.2
Other comprehensive income (loss)	(2.9)		(2.9)
Dividends	(4.6)		(4.6)
Balance at March 31, 2009	$ 14.8	$ 8.5	$ 23.3

6. Earnings per Common Share

The computation of basic earnings per common share for the periods presented is based upon the weighted average number of common shares outstanding during the periods. The computation of diluted earnings per common share includes the effect of nonvested nonqualified stock options and restricted stock units assuming such options and stock units were outstanding common shares at the beginning of the period. The effect of antidilutive securities is excluded from the computation of diluted earnings per common share.

The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended March 31,	
(Dollars in millions, except share amounts, in thousands, and per share amounts)	*2010*	*2009*
Net income attributable to Koppers	$ 7.3	$ 4.1
Less: discontinued operations		(0.2)
Income from continuing operations attributable to Koppers	$ 7.3	$ 4.3
Weighted average common shares outstanding:		
Basic	20,473	20,429
Effect of dilutive securities	159	50
Diluted	20,632	20,479
Earnings per common share continuing operations:		
Basic earnings per common share	$ 0.36	$ 0.21
Diluted earnings per common share	0.36	0.21
Other data:		
Antidilutive securities excluded from computation of diluted earnings per common share	128	189

7. Stock-based Compensation

In December 2005, the Company s board of directors and shareholders adopted the 2005 Long-Term Incentive Plan (the LTIP). The LTIP provides for the grant to eligible persons of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance awards, dividend equivalents and other stock-based awards, which are collectively referred to as the awards.

Under the LTIP, the board of directors granted restricted stock units and performance stock units to certain employee participants (collectively, the stock units) each year starting in 2007. The restricted stock units vest on the third anniversary of the grant date, assuming continued employment by the participant. The performance stock units vest upon the attainment of the applicable performance objective at the end of a three-year period. The applicable performance objective is based upon a multi-year cumulative value creation calculation commencing on the first day of each grant year. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 150 percent of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest. The performance stock units originally awarded in 2007 vested at 140 percent of target in March 2010 and resulted in an additional grant of 28,060 performance stock units.

In February 2010, the board of directors awarded 32,744 restricted stock units and 68,457 performance stock units to certain employee participants (collectively, the stock units) with a grant date of February 22, 2010. The restricted stock units will vest in February 2013, assuming continued employment by the participant. The performance stock units will vest on February 22, 2013 upon the attainment of the applicable performance objective and assuming continued employment by the participant. The applicable performance objective is based upon a two-year cumulative value creation calculation commencing January 1, 2010. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 150 percent of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest.

Dividends declared on the Company s common stock during the restriction period of the stock units are credited at equivalent value as additional stock units and become payable as additional common shares upon vesting. In the event of termination of employment, other than retirement, death or disability, any nonvested stock units are forfeited, including additional stock units credited from dividends. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the stock units over the service period will result. There are special vesting provisions for the stock units related to a change in control.

Compensation expense for nonvested stock units is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock units is the market price of the underlying common stock on the date of grant.

The following table shows a summary of the performance stock units outstanding as of March 31, 2010:

Performance Period	*Minimum Shares*	*Target Shares*	*Maximum Shares*
2008 2010		46,774	70,161
2009 2011		141,732	212,598
2010 2011		68,457	102,686

The following table shows a summary of the status and activity of nonvested stock awards for the three months ended March 31, 2010:

	Restricted Stock Units	*Performance Stock Units*	*Total Stock Units*	*Weighted Average Grant Date Fair Value per Unit*
Nonvested at January 1, 2010	112,387	256,138	368,525	$ 22.50
Granted	32,744	68,457	101,201	$ 28.10
Credited from dividends	3,277	7,651	10,928	$ 23.15
Performance stock unit adjustment		28,060	28,060	$ 25.75
Vested	(21,289)	(98,197)	(119,486)	$ 25.74
Forfeited	(17)	(14)	(31)	$ 32.16
Nonvested March 31, 2010	127,102	262,095	389,197	$ 23.04

Also in February 2010, the board of directors awarded 58,960 stock options to certain executive officers which vest and become exercisable upon the completion of a three-year service period commencing on the third anniversary of the grant date of February 22, 2010. The stock options have a term of 10 years. In the event of termination of employment, other than retirement, death or disability, any nonvested options are forfeited. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the options over the service period will result. There are special vesting provisions for the stock options related to a change in control.

In accordance with accounting standards, compensation expense for unvested stock options is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock options on the date of grant is calculated using the Black-Scholes-Merton model and the assumptions listed below:

	February 2010 Grant	*February 2009 Grant*	*February 2008 Grant*	*May 2007 Grant*
Grant date price per share of option award	$ 28.10	$ 15.26	$ 39.99	$ 29.97
Expected dividend yield per share	2.50%	2.50%	2.00%	2.50%
Expected life in years	6.5	6.5	6.5	6.5
Expected volatility	62.00%	51.00%	40.67%	40.39%
Risk-free interest rate	3.05%	2.05%	3.28%	4.45%
Grant date fair value per share of option awards	$ 13.81	$ 6.19	$ 14.79	$ 11.01

The dividend yield is based on the Company s current and prospective dividend rate which calculates a continuous dividend yield based upon the market price of the underlying common stock. The expected life in years is based on the simplified method permitted under Securities and Exchange Commission Staff Accounting Bulletin No. 107 which calculates the average of the

weighted vesting term and the contractual term of the option. This method was selected due to the lack of historical exercise data with respect to the Company. Expected volatility is based on the historical volatility of the Company s common stock and the historical volatility of certain other similar public companies. The risk-free interest rate is based on U.S. Treasury bill rates for the expected life of the option.

The following table shows a summary of the status and activity of stock options for the three months ended March 31, 2010:

	Options	*Weighted Average Exercise Price per Option*	*Weighted Average Remaining Contractual Term (in years)*	*Aggregate Intrinsic Value (in millions)*
Outstanding at January 1, 2010	246,016	$ 23.30		
Granted	58,960	$ 28.10		
Outstanding at March 31, 2010	304,976	$ 24.23	8.60	$ 1.9
Exercisable at March 31, 2010		$		$

Total stock-based compensation expense recognized for the three months ended March 31, 2010 and 2009 is as follows:

(Dollars in millions)	*Three Months Ended March 31, 2010*	*2009*
Stock-based compensation expense recognized:		
Selling, general and administrative expenses	$ 0.9	$ 0.8
Less related income tax benefit	0.3	0.3
	$ 0.6	$ 0.5

As of March 31, 2010, total future compensation expense related to non-vested stock-based compensation arrangements totaled $6.6 million and the weighted-average period over which this cost is expected to be recognized is approximately 29 months.

8. Segment Information

The Company has two reportable segments: Carbon Materials & Chemicals and Railroad & Utility Products. The Company s reportable segments are business units that offer different products. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes. The business units have been aggregated into two reportable segments since management believes the long-term financial performance of these business units is affected by similar economic conditions.

The Company s Carbon Materials & Chemicals segment is primarily a supplier of carbon pitch, naphthalene, phthalic anhydride, creosote, carbon black feedstock and carbon black. Carbon pitch is a critical raw material used in the production of aluminum and for the production of steel in electric arc furnaces. Naphthalene is used for the production of phthalic anhydride and as a surfactant in the production of concrete. Phthalic anhydride is used in the production of plasticizers, polyester resins and alkyd paints. Creosote is used in the treatment of wood and carbon black feedstock is used in the production of carbon black. Carbon black is used primarily in the production of rubber tires.

The Company s Railroad & Utility Products segment sells treated and untreated wood products and services primarily to the railroad and public utility markets. Railroad products include procuring and treating items such as crossties, switch ties and various types of lumber used for railroad bridges and crossings. Utility products include transmission and distribution poles and pilings.

The Company evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating profit or loss from operations. Operating profit does not include equity in earnings of affiliates, other income, interest expense or income taxes. Operating profit also excludes the operating costs of Koppers Holdings Inc., the parent company of Koppers Inc. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation.

The following table sets forth certain sales and operating data, net of all intersegment transactions, for the Company s segments for the periods indicated:

(Dollars in millions)	*Three Months Ended March 31,* 2010	2009
Revenues from external customers:		
Carbon Materials & Chemicals	$ 173.3	$ 145.5
Railroad & Utility Products	101.0	127.2
Total	$ 274.3	$ 272.7
Intersegment revenues:		
Carbon Materials & Chemicals	$ 23.1	$ 20.8
Depreciation and amortization expense:		
Carbon Materials & Chemicals	$ 4.5	$ 4.2
Railroad & Utility Products	1.9	1.8
Total	$ 6.4	$ 6.0
Operating profit:		
Carbon Materials & Chemicals	$ 10.7	$ 6.5
Railroad & Utility Products	6.7	12.3
Corporate	(0.6)	(0.4)
Total	$ 16.8	$ 18.4

The following table sets forth certain tangible and intangible assets allocated to each of the Company s segments as of the dates indicated:

(Dollars in millions)	*March 31,* 2010	*December 31,* 2009
Segment assets:		
Carbon Materials & Chemicals	$ 423.0	$ 402.2
Railroad & Utility Products	144.3	141.3
All other	73.1	100.9
Total	$ 640.4	$ 644.4
Goodwill:		
Carbon Materials & Chemicals	$ 66.7	$ 59.4
Railroad & Utility Products	2.3	2.2
Total	$ 69.0	$ 61.6

Goodwill for Carbon Materials & Chemicals increased $7.4 million from December 31, 2009 as a result of the Cindu acquisition.

9. Income Taxes

Effective Tax Rate

Income taxes as a percentage of pretax income was 35.9 percent and 41.5 percent for the three months ended March 31, 2010 and 2009, respectively, There were no discrete items included in the estimated effective tax rate for either period. The effective tax rate for the first three months of 2010 differs from the U.S. federal statutory rate of 35.0 percent due to nondeductible expenses (+1.2 percent) and state taxes (+0.8

percent) partially offset by the domestic manufacturing deduction (-1.8 percent). With respect to the first three months of 2009, the effective tax rate differs from the federal statutory rate primarily due to taxes on foreign earnings (+3.5 percent) and state taxes (+2.8 percent).

The income tax provision for interim periods is based on an estimated annual effective tax rate, which requires management to make its best estimate of annual pretax income by domestic and foreign jurisdictions and other items that impact taxable income. During the year, management regularly updates estimates based on changes in various factors such as product prices, shipments, product mix, operating and administrative costs, earnings mix by taxable jurisdiction, repatriation of foreign earnings, uncertain tax positions and the ability to claim tax credits such as the non-conventional fuel tax credit. To the extent that actual results vary from the estimates at the end of the first quarter, the actual tax provision recognized for 2010 could be materially different from the forecasted annual tax provision as of the end of the first quarter.

Uncertain Tax Positions

The Company or one of its subsidiaries files income tax returns in U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004.

As of March 31, 2010 and December 31, 2009, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately $3.3 million. Unrecognized tax benefits totaled $4.0 million as of March 31, 2010 and December 31, 2009. The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. As of March 31, 2010 and December 31, 2009, the Company had accrued approximately $0.7 million.

10. Inventories

Net inventories as of March 31, 2010 and December 31, 2009 are summarized in the table below:

(Dollars in millions)	*March 31, 2010*	*December 31, 2009*
Raw materials	$ 98.6	$ 94.3
Work in process	6.8	8.3
Finished goods	96.6	94.9
	202.0	197.5
Less revaluation to LIFO	44.4	44.8
Net	$ 157.6	$ 152.7

11. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2010 and December 31, 2009 are summarized in the table below:

(Dollars in millions)	*March 31, 2010*	*December 31, 2009*
Land	$ 7.6	$ 7.5
Buildings	29.2	29.3
Machinery and equipment	500.1	491.0
	536.9	527.8
Less accumulated depreciation	382.3	378.5
Net	$ 154.6	$ 149.3

12. Pensions and Postretirement Benefit Plans

The Company and its subsidiaries maintain a number of defined benefit and defined contribution plans to provide retirement benefits for employees in the U.S., as well as employees outside the U.S. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), local statutory law or as determined by the board of directors. The defined benefit pension plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for three domestic non-qualified defined benefit pension plans for certain key executives.

All qualified defined benefit pension plans for salaried employees have been closed to new participants and a number of plans have been frozen over the past few years. Accordingly, the pension plans no longer accrue additional years of service or recognize future increases in compensation for benefit purposes. In addition, a number of pension plans are subject to a soft freeze which precludes new employees from entering the defined benefit pension plans.

The defined contribution plans generally provide retirement assets to employee participants based upon employer and employee contributions to the participant s individual investment account. The Company also provides retiree medical insurance coverage to certain U.S. employees and a life insurance benefit to most U.S. employees. For salaried employees, these plans have been closed to new participants.

Expense related to the Company s defined contribution plans totaled $1.4 million and $1.2 million for the three months ended March 31, 2010 and 2009, respectively. Expense related to the Company s other postretirement benefit plans totaled $0.2 million for each of the three months ended March 31, 2010 and 2009.

The following table provides the components of net periodic benefit cost for the pension plans for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
(Dollars in millions)	*2010*	*2009*
Service cost	$ 0.8	$ 0.7
Interest cost	3.0	2.6
Expected return on plan assets	(2.5)	(2.1)
Amortization of prior service cost		0.1
Amortization of net loss	1.3	1.6
Amortization of transition asset	(0.1)	(0.1)
Net periodic benefit cost	$ 2.5	$ 2.8

13. Debt

Debt at March 31, 2010 and December 31, 2009 was as follows:

(Dollars in millions)	*Weighted Average Interest Rate*	*Maturity*	*March 31, 2010*	*December 31, 2009*
Revolving Credit Facility	2.51%	2013	$ 18.9	$ 40.0
Senior Notes	7 7/8%	2019	295.0	295.0
Other debt, including capital leases	8.00%	Various	0.9	0.3
Total debt			314.8	335.3
Less short term debt and current maturities of long-term debt			0.2	0.2
Long-term debt			$ 314.6	$ 335.1

Revolving Credit Facility

The Koppers Inc. revolving credit facility agreement provides for a revolving credit facility of up to $300.0 million at variable rates. Borrowings under the revolving credit facility are secured by a first priority lien on substantially all of Koppers Inc. s assets. The credit facility contains certain covenants that limit capital expenditures by Koppers Inc. and restrict its ability to incur additional indebtedness, create liens on its assets, enter into leases, pay dividends and make investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by Koppers Inc. to meet certain financial ratios. Commitment fees totaled $0.3 million and $0.5 million for the three months ended March 31, 2010 and 2009, respectively, and are charged to interest expense.

As of March 31, 2010, the Company had $188.6 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments and other covenants. As of March 31, 2010, $14.2 million of commitments were utilized by outstanding letters of credit.

Senior Notes

The Koppers Inc. 7 $^{7}/8$ percent Senior Notes due 2019 (the Senior Notes) were issued on December 1, 2009 at on offering price of 98.311 percent of face value, or $294.9 million and have a principal amount at maturity of $300.0 million. The Senior Notes have an effective interest rate yield of 8 $^{1}/8$ percent per annum. The Senior Notes are unsecured senior obligations that are fully and unconditionally guaranteed by Koppers Holdings and certain of Koppers Inc. s wholly-owned domestic subsidiaries. The Senior Notes are structurally subordinated to indebtedness under the revolving credit facility.

Interest on the Senior Notes is payable semiannually on December 1 and June 1 each year, starting on June 1, 2010. On or after December 1, 2014, the Company is entitled to redeem all or a portion of the Senior Notes at a redemption price of 103.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value on December 1, 2017.

The indenture governing the Senior Notes includes customary covenants that restrict, among other things, the ability of Koppers Inc. and its restricted subsidiaries to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of the assets of Koppers Inc. or its subsidiaries or enter into various transactions with affiliates.

Guarantees

The Company s 60-percent owed subsidiary in China has issued a guarantee of $17.9 million in support of the Company s 30-percent investment in Tangshan Koppers Kailuan Carbon Chemical Company Limited (TKK). The guarantee relates to bank debt incurred by TKK which matures in 2011.

14. Asset Retirement Obligations

The Company recognizes asset retirement obligations for the removal and disposal of residues; dismantling of certain tanks required by governmental authorities; cleaning and dismantling costs for owned rail cars; and cleaning costs for leased rail cars and barges. The following table reflects changes in the carrying values of asset retirement obligations:

(Dollars in millions)	*March 31, 2010*	*December 31, 2009*
Balance at beginning of year	$ 16.6	$ 16.2
Accretion expense	0.3	1.2
Revision in estimated cash flows, net	0.1	0.6
Expenses incurred	(0.6)	(1.6)
Currency translation	(0.1)	0.2
Balance at end of period	$ 16.3	$ 16.6

15. Deferred Revenue from Extended Product Warranty Liabilities

The Company defers revenues associated with extended product warranty liabilities based on historical loss experience and sales of extended warranties on certain products. The following table reflects changes in the carrying values of deferred revenue:

(Dollars in millions)	*March 31, 2010*	*December 31, 2009*
Balance at beginning of year	$ 6.7	$ 7.5
Deferred revenue for sales of extended warranties		0.3

Revenue earned		(0.2)		(1.1)
Balance at end of period	$	6.5	$	6.7

16. Commitments and Contingent Liabilities

Koppers Inc. and its subsidiaries are involved in litigation and various proceedings relating to environmental laws and regulations and toxic tort, product liability and other matters. Certain of these matters are discussed below. The ultimate resolution of these contingencies is subject to significant uncertainty and should the company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, these legal matters could, individually or in the aggregate, be material to the consolidated financial statements.

Legal Proceedings

Coal Tar Pitch Cases. Koppers Inc., along with other defendants, is currently a defendant in lawsuits filed in a variety of states in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to coal tar pitch sold by the defendants. There are 116 plaintiffs in 63 cases pending as of March 31, 2010 as compared to 112 plaintiffs in 62 cases at December 31, 2009. As of March 31, 2010, there are a total of 59 cases pending in state court in Pennsylvania, one case each pending in state courts in Tennessee and Illinois, and two cases pending in an Indiana state court.

The plaintiffs in all 63 pending cases seek to recover compensatory damages, while plaintiffs in 53 cases also seek to recover punitive damages. The plaintiffs in the 59 cases filed in Pennsylvania state court seek unspecified damages in excess of the court s minimum jurisdictional limit. The plaintiffs in the two cases filed in Indiana state court also seek damages in an unspecified amount. The plaintiffs in the Tennessee state court case each seek damages of $15.0 million. The plaintiff in the Illinois state court case seeks compensatory damages in excess of $50,000.

The other defendants in these lawsuits vary from case to case and include companies such as Beazer East, Inc., United States Steel Corporation, Honeywell International Inc., Vertellus Specialties Inc., Dow Chemical Company, Rust-Oleum Corporation, UCAR Carbon Company, Inc., Exxon Mobil Corporation, Chemtura Corporation, SGL Carbon Corporation, Alcoa, Inc., and PPG Industries, Inc. Discovery is proceeding in these cases. The Company has not provided a reserve for these lawsuits because, at this time, the Company cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of these cases cannot be reasonably determined. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations. No trial dates have been set in any of these cases.

Somerville Cases. Koppers Inc. is currently defending five sets of state court cases in Texas (*Antu, Baade, Davis, Hensen* and *Moses*) involving approximately 160 plaintiffs who allegedly have worked or resided in Somerville, Texas, where Koppers Inc. has operated a wood treatment plant since 1995. Koppers Inc. has been named, but not served, as a defendant in another Texas state court case (*Asselin*) involving 11 plaintiffs who allegedly worked or resided in Somerville, Texas. These cases are pending in Burleson County, Texas, and Tarrant County, Texas. In addition to those Texas state court cases, Koppers Inc. is defending another state court case (*Gonzalez)* that is pending in the Circuit Court of Cook County, Illinois. The *Gonzalez* case initially involved 28 plaintiffs who allegedly worked or resided in Somerville, Texas. The court has dismissed 22 of the *Gonzalez* plaintiffs claims and denied those plaintiffs motion to reconsider. In addition, as a result of the filing of a demand for bill of particulars by Koppers Inc., the court has stricken the complaint of the remaining six plaintiffs and ordered them to file an amended complaint. The 22 dismissed plaintiffs filed a notice of appeal on April 23, 2010. No appellate briefing schedules have been set.

The BNSF Railway Company (BNSF) has also been named as a defendant in these cases. The complaints allege that plaintiffs have suffered personal injuries (including death, in some cases) resulting from exposure to wood preservative chemicals used at the Somerville, Texas wood treatment plant. The complaints in the *Moses, Davis* and *Asselin* cases additionally allege that plaintiffs have suffered property damage.

The complaints seek to recover various damages for each plaintiff, including compensatory and punitive damages within the jurisdictional limits of the court for, among other things, bodily injuries, pain and mental anguish, emotional distress, medical monitoring, medical expenses, diminished earning capacity, permanent disability, physical impairment and/or disfigurement, loss of companionship and society, loss of consortium, devaluation of property, loss of use and enjoyment of personal property, loss of use and enjoyment of real property, property damage, property remediation costs, funeral and burial expenses and lost wages.

There are a total of 44 plaintiffs (six of whom have claims pending against only the BNSF) in the *Moses* cases. There are a total of ten plaintiffs in the *Antu* case, four of whom have claims pending against only the BNSF. The *Hensen* case identifies a total of 93 plaintiffs, one of whom has a claim pending against only the BNSF. The *Davis* case involves one plaintiff. There are a total of 25 plaintiffs in the *Baade* case.

In addition to the cases pending in state court, Koppers Inc. is currently defending one case, *Bullard*, in the United States District Court for the Western District of Texas. It involves a total of 146 plaintiffs who seek compensatory damages in an unspecified amount in excess of the court s minimum jurisdictional limit for alleged personal injuries. Of the plaintiffs in the *Bullard case,* 86 are also plaintiffs in *Hensen* and 22 are plaintiffs in *Gonzalez,* whose claims have been dismissed. The BNSF is also a named defendant in the *Bullard* case, along with three additional defendants.

Currently, two of the severed cases in *Moses* have case management orders that involve Koppers Inc. which stipulate that all discovery is to be completed by early 2011. No trial dates have been set in these two cases. No other cases pending against Koppers Inc. have discovery completion dates or trial dates.

The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of these cases cannot be reasonably determined. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations. No trial dates have been set in any of these cases.

Grenada All Cases. Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in toxic tort lawsuits in federal court in Mississippi (see Grenada Federal Court Cases below) and in state court in Mississippi (see Grenada State Court Cases below) arising from the operation of the Grenada facility. The complaints allege that plaintiffs were exposed to harmful levels of various toxic chemicals, including creosote, pentachlorophenol, polycyclic aromatic hydrocarbons and dioxin, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and, in some cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. Based on the experience of Koppers Inc. in defending previous toxic tort cases, the Company does not believe that the damages sought by the plaintiffs in the state and federal court cases are supported by the facts of the cases. The Company has not provided a reserve for these lawsuits because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of these cases cannot be reasonably determined. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations. See Environmental and Other Liabilities Retained or Assumed by Others for additional information.

Grenada Federal Court Cases.

Beck Case The complaint in this case was originally filed by approximately 110 plaintiffs. Pursuant to an order granting defendants motion to sever, the court dismissed the claims of 98 plaintiffs in the *Beck* case without prejudice to their right to re-file their complaints. In December 2005, 94 of the 98 plaintiffs in the *Beck* case whose claims were dismissed re-filed their complaints. The plaintiffs in the 94 cases that were re-filed seek compensatory damages from the defendants of at least $5.0 million for each of eight counts and punitive damages of at least $10.0 million for each of three counts (in addition to damages in an unspecified amount for alleged trespass and nuisance). No discovery orders have been issued with respect to the 94 additional cases. The claims of ten of the 12 plaintiffs whose claims were not dismissed are still pending. The ten remaining plaintiffs seek compensatory damages from the defendants in an unspecified amount and punitive damages of $20.0 million for each of four counts.

The first of these trials occurred in 2006 and after an appeal, the court ultimately rendered a judgment in favor of Koppers Inc. In January 2010, the trial court granted summary judgment in favor of Koppers Inc. on all claims for the second trial plaintiff. The date for the trial of the claims of the next plaintiff is set for August 2011 in Oxford, Mississippi. Trials in the remaining nine cases have not yet been scheduled, and the timing of the resolution of these cases is not known at this time. In February 2009, Koppers Inc. filed a petition with the United States Court of Appeals for the Fifth Circuit asking it to transfer the future trials of the *Beck* federal cases from Greenville, Mississippi to Oxford, Mississippi, where plaintiffs originally filed suit. In April 2009, the Fifth Circuit granted the petition to transfer the trials to Oxford. In March 2010, the United States Supreme Court denied the plaintiff s petition for review of the petition to transfer future trials to Oxford.

Ellis Case There are approximately 1,200 plaintiffs in this case. Each plaintiff seeks compensatory damages from the defendants of at least $5.0 million for each of seven counts and punitive damages of at least $10.0 million for each of three counts (in addition to damages for an unspecified amount for trespass and nuisance). The *Ellis* complaint also requests injunctive relief. These cases have been stayed and no trial dates have been scheduled pending the completion of the trials for the remaining ten plaintiffs in the *Beck* case. The timing of the resolution of these cases is not known at this time.

Grenada State Court Cases. The state court cases were brought on behalf of approximately 200 plaintiffs in five counties in Mississippi. Each plaintiff seeks compensatory damages from the defendants of at least $5.0 million for each of up to eight counts and punitive damages of at least $10.0 million for each of three counts. Certain plaintiffs also seek damages for alleged trespass and private nuisance in unspecified amounts together with injunctive relief. The Mississippi Supreme Court ordered that the claims of the plaintiffs in the pending state court cases filed in counties other than Grenada County (approximately 110 cases) be severed and transferred to Grenada County. Plaintiffs counsel attempted to transfer ten such cases to Grenada County, but all ten cases were dismissed by the Court in Grenada County. Plaintiffs counsel has not attempted to transfer any additional cases to Grenada County and defendants have filed motions to dismiss the claims of the remaining plaintiffs in the four non-Grenada County cases, which motions remain pending. No trial dates have been scheduled in these cases. The timing of the resolution of these cases is not known at this time.

With respect to the state court case that was originally filed in Grenada County, the plaintiffs filed 104 individual complaints in Grenada County. Subsequently 46 of the cases were dismissed for various procedural reasons, and summary judgments based on the Mississippi statute of limitations were entered in 40 of the cases. Plaintiffs appealed the summary judgment orders to the Mississippi Supreme Court, which has not yet ruled on the appeals. Oral argument occurred before the Mississippi Supreme Court in March 2010. In the remaining 18 cases, on September 1, 2009, the Circuit Court granted the Company s motions to dismiss or, in the alternative, for summary judgment, and subsequently denied the plaintiffs motion for reconsideration on October 5, 2009. Plaintiffs have also filed notices of appeal to the Mississippi Supreme Court in these 18 cases, but oral argument has not yet been scheduled. One other case, the *Harlow* case, remains pending in Grenada County. In *Harlow,* the plaintiff is seeking actual and compensatory damages in excess of $20.0 million and punitive damages in an unspecified amount. Discovery is proceeding in that case. The timing of the resolution of the two appeals and the *Harlow* case is not known at this time.

Other Litigation. In April 2010, a class action complaint was filed in the United States District Court for the Northern District of Florida, by a number of local residents in Gainesville, Florida which named Koppers Inc., Beazer East, Inc. and Cabot Corporation as defendants. The plaintiffs assert that real property located within a two mile radius of the defendants former utility pole treatment plant and an adjacent site owned by Cabot Corporation has been contaminated by various toxic substances. Koppers Inc. operated a utility pole treatment plant in Gainesville from 1988 until its closure late in 2009. The property upon which the utility pole treatment plant was located was sold by Koppers Inc. to Beazer East, Inc. in the first quarter of 2010. Prior to 1988, Beazer East, Inc. conducted various wood treating operations at the utility pole treatment plant site. Plaintiffs seek, among other things, the creation and funding of comprehensive community property remediation and medical monitoring programs, compensatory and punitive damages in excess of the minimum jurisdictional limit of the Court and other equitable relief. Koppers Inc. has not yet been served with a copy of the Complaint and no trial date has been set.

The Company has not provided a reserve for this matter because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of this case cannot be reasonably determined. Although Koppers Inc. is vigorously defending this case, an unfavorable resolution of this matter may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations.

Discontinued Operations. The Company sold its 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries (Koppers Arch) in July 2007 to Arch Chemicals, Inc. and has provided an indemnity to Arch Chemicals for the Company s share of liabilities, if any, arising from certain types of obligations and claims that arose prior to the Company s sale of its interest in Koppers Arch. Koppers Inc. has received a notice from Arch Chemicals relating to legal actions that have been filed in the High Court of New Zealand Auckland Registry against a third party and against Arch Wood Protection (NZ) Limited by a competitor of Arch Wood Protection (NZ) Limited. The competitor/plaintiff alleges, among other things, claims of defamation, injurious falsehood, conspiracy and violation of the New Zealand Fair Trading Act. Reserving all rights, Koppers has agreed to participate in the payment of attorneys fees and related expenses relating to these matters until further notice. The plaintiff seeks damages of approximately $6 million. The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The timing of resolution of these cases cannot be reasonably determined. An unfavorable resolution of these matters may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations. A trial is currently scheduled for June 2010.

Environmental and Other Litigation Matters

The Company and its subsidiaries are subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. The Company s subsidiaries expect to incur substantial costs for ongoing compliance with such laws and regulations. The Company s subsidiaries may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. The Company accrues for environmental liabilities when a determination can be made that they are probable and reasonably estimable.

Environmental and Other Liabilities Retained or Assumed by Others. The Company s subsidiaries have agreements with former owners of certain of their operating locations under which the former owners retained, assumed and/or agreed to indemnify such subsidiaries against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc. s formation on December 29, 1988 (the Acquisition). Under the related asset purchase agreement between Koppers Inc. and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify Koppers Inc. against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition and liabilities related to products sold by Beazer East prior to the Acquisition (the Indemnity). Beazer Limited, the parent company of Beazer East, unconditionally guaranteed Beazer East s performance of the Indemnity pursuant to a guarantee (the Guarantee). In 1998, the parent company of Beazer East purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by Koppers Inc.) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re. Beazer East is a wholly-owned, indirect subsidiary of Heidelberg Cement AG. The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify Koppers Inc. with regard to certain environmental, product and other liabilities and imposes certain conditions on Koppers Inc. before receiving such indemnification, including, in some cases, certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, Koppers Inc. and Beazer East agreed to amend the environmental indemnification provisions of the December 29, 1988 asset purchase agreement to extend the indemnification period for pre-closing environmental liabilities through July 2019. As consideration for the amendment, Koppers Inc. paid Beazer East a total of $7.0 million and agreed to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The July 2004 amendment did not change the provisions of the Indemnity with respect to indemnification for non-environmental claims, such as product liability claims, which claims may continue to be asserted after July 2019.

Qualified expenditures under the Indemnity are not subject to a monetary limit. Qualified expenditures under the Indemnity include (i) environmental cleanup liabilities required by third parties, such as investigation, remediation and closure costs, relating to pre-December 29, 1988, or Pre-Closing, acts or omissions of Beazer East or its predecessors; (ii) environmental claims by third parties for personal injuries, property damages and natural resources damages relating to Pre-Closing acts or omissions of Beazer East or its predecessors; (iii) punitive damages for the acts or omissions of Beazer East and its predecessors without regard to the date of the alleged conduct and (iv) product liability claims for products sold by Beazer East or its predecessors without regard to the date of the alleged conduct. If the third party claims described in sections (i) and (ii) above are not made by July 2019, Beazer East will not be required to pay the costs arising from such claims under the Indemnity. However, with respect to any such claims which are made by July 2019, Beazer East will continue to be responsible for such claims under the Indemnity beyond July 2019. The Indemnity provides for the resolution of issues between Koppers Inc. and Beazer East by an arbitrator on an expedited basis upon the request of either party. The arbitrator could be asked, among other things, to make a determination regarding the allocation of environmental responsibilities between Koppers Inc. and Beazer East. Arbitration decisions under the Indemnity are final and binding on the parties.

Contamination has been identified at most manufacturing and other sites of the Company s subsidiaries. Three sites currently owned and operated by Koppers Inc. in the United States are listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA). Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the sites permitted under the Resource Conservation and Recovery Act (RCRA)), a significant portion of all investigative, cleanup and closure activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity. In addition, other of Koppers Inc. s sites are or have been operated under RCRA and various other environmental permits, and remedial and closure activities are being conducted at some of these sites.

To date, the parties that retained, assumed and/or agreed to indemnify the Company against the liabilities referred to above, including Beazer East, have performed their obligations in all material respects. The Company believes that, for the last three years, amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately $11 million per year. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. Koppers Inc. and Beazer East engage in discussions from time to time that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and the Company or its subsidiaries are held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on the Company or its subsidiaries could have a material adverse effect on its business, financial condition, cash flows and results of operations. Furthermore, the Company could be required to record a contingent liability on its balance sheet with respect to such matters, which could result in a negative adjustment to the Company s net worth.

Domestic Environmental Matters. Koppers Inc. has been named as a potentially responsible party (a PRP) at the Portland Harbor CERCLA site located on the Willamette River in Oregon. Koppers Inc. has replied to an EPA Information request and has executed a PRP agreement which outlines the process to develop an allocation of past and future costs. Koppers Inc. currently operates a coal tar pitch terminal near the site. The current estimate for past costs incurred in the remedial investigation/feasibility study is $100 million. Separate from the EPA activities, a natural resources damages assessment is being conducted by a local trustee group. In September 2009, Koppers Inc. received a general notice letter notifying it that it may be a PRP at the Newark Bay CERCLA site. In January 2010, Koppers Inc. submitted a response to the general notice letter asserting that Koppers Inc. is a de minimus party at this site. The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. An unfavorable resolution of these matters may have a material adverse effect on the Company s business, financial condition, cash flows and results of operations.

The Illinois Environmental Protection Agency (the IEPA) has requested that Koppers Inc. conduct a voluntary investigation of soil and groundwater at its Stickney, Illinois carbon materials and chemicals facility. The IEPA advised Koppers Inc. that it made such request as a result of a reported release of oil-like material from Koppers Inc. s property into an adjacent river canal. Koppers Inc. is conducting such investigation in cooperation with Beazer East. The Company and Beazer East have commenced investigation on this site pursuant to a Plan submitted to the IEPA. The Company has provided a reserve for this matter totaling $1.6 million as of March 31, 2010.

In August 2005, the Pennsylvania Department of Environmental Protection (the PADEP) proposed a fine related to alleged water discharge exceedances from a storm water sewer pipe at the tar distillation facility of Koppers Inc. in Clairton, Pennsylvania. In December 2006, Koppers Inc. reached a preliminary settlement of the fine with the PADEP, subject to the negotiation and execution of a consent order with the PADEP. Negotiations with respect to the consent order are continuing and the Company has reserved the amount of the estimated settlement. Koppers Inc. also proposed to undertake certain engineering and capital improvements to address this matter. In December 2007, Koppers Inc. agreed to contribute the capital improvements, primarily a new sewer line, to the city of Clairton and accordingly, has provided a reserve of $2.3 million related to the new sewer line and PADEP fine as of March 31, 2010. Koppers Inc. expects to begin construction of the new sewer line during 2010.

*Australian Environmental Matters***.** Soil and groundwater contamination has been detected at certain of the Company s Australian facilities. At the Company s tar distillation facility in Newcastle, New South Wales, Australia, soil contamination from an abandoned underground coal tar pipeline and other groundwater contamination have been detected at a property adjacent to the facility. In December 2006 the Company and the owner of the adjacent property reached an agreement in principle pursuant to which the Company will contribute $1.7 million and the owner of the adjacent property will contribute $6.1 million toward remediation of the property. Subject to the approval of a remediation action plan by local environmental authorities, the agreement in principle provides that the Company will assume responsibility for the management of the remediation effort and will indemnify the current owner for any remediation costs in excess of its agreed contribution. At the completion of the remediation, the agreement in principle provides that the property will be transferred to the Company. The Company has reserved its expected total remediation costs of $1.7 million at March 31, 2010.

Other Australian environmental matters include soil and groundwater remediation at a number of current and former facilities in Australia. With respect to a closed facility in Thornton, Australia, the sale of the property was completed in March 2010 and the buyer assumed all remediation liability. Accordingly, the accrual for remediation at this site was reversed in the three months ended March 31, 2010 and resulted in a decrease to cost of sales of $2.9 million. The Company has reserved $1.4 million for remediation costs at the remaining Australian sites.

*Environmental Reserves Rollforward***.** The following table reflects changes in the accrued liability for environmental matters:

	March 31, 2010	*Year Ended December 31, December 31, 2009*
(Dollars in millions)		
Balance at beginning of year	$ 10.7	$ 9.4
Expense		0.5
Reversal of reserves	(3.0)	
Cash expenditures	(0.1)	(0.5)
Currency translation	0.2	1.3
Balance at end of year	$ 7.8	$ 10.7

17. Subsidiary Guarantor Information for Koppers Inc. Senior Notes

On December 1, 2009, Koppers Inc. issued $300.0 million principal value of Senior Notes. Koppers Holdings and each of Koppers Inc. s wholly-owned material domestic subsidiaries other than Koppers Assurance, Inc. fully and unconditionally guarantee the payment of principal and interest on the Senior Notes. The domestic guarantor subsidiaries include World-Wide Ventures Corporation, Koppers Delaware, Inc., Koppers Concrete Products, Inc., Concrete Partners, Inc., Koppers Ventures LLC and Koppers Asia LLC.

Separate condensed consolidating financial statement information for Koppers Holdings Inc. (the parent), Koppers Inc., domestic guarantor subsidiaries and non-guarantor subsidiaries as of March 31, 2010 and 2009 and for the three months ended March 31, 2010 and 2009 is as follows:

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2010

	Parent	*Koppers Inc.*	*Domestic Guarantor Subsidiaries*	*Non-Guarantor Subsidiaries*	*Consolidating Adjustments*	*Consolidated*
(Dollars in millions)						
Net sales	$	$ 160.6	$ 9.5	$ 114.7	$ (10.5)	$ 274.3
Cost of sales including depreciation and amortization		148.7	5.2	95.6	(9.4)	240.1
Selling, general and administrative	0.6	8.7	1.9	6.2		17.4
Operating profit (loss)	(0.6)	3.2	2.4	12.9	(1.1)	16.8
Other income (expense)	7.7	0.1	(0.1)	1.7	(7.7)	1.7
Interest expense (income)		7.0		1.2	(1.3)	6.9
Income taxes	(0.2)	1.1	0.1	3.2		4.2
Income from continuing operations	7.3	(4.8)	2.2	10.2	(7.5)	7.4

Noncontrolling interests				0.1		0.1
Net income attributable to Koppers	$ 7.3	$ (4.8)	$ 2.2	$ 10.1	$ (7.5)	$ 7.3

Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2009

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$	$ 190.0	$ 10.7	$ 83.8	$ (11.8)	$ 272.7
Cost of sales including depreciation and amortization		169.6	5.7	75.2	(10.6)	239.9
Selling, general and administrative	0.4	7.9	0.4	5.7		14.4
Operating profit (loss)	(0.4)	12.5	4.6	2.9	(1.2)	18.4
Other income (expense)	7.3	0.1		(0.1)	(7.3)	
Interest expense (income)	4.7	5.7		1.0	(1.2)	10.2
Income taxes	(1.9)	4.5	0.1	0.7		3.4
Income from continuing operations	4.1	2.4	4.5	1.1	(7.3)	4.8
Discontinued operations		(0.2)				(0.2)
Noncontrolling interests				0.5		0.5
Net income attributable to Koppers	$ 4.1	$ 2.2	$ 4.5	$ 0.6	$ (7.3)	$ 4.1

Condensed Consolidating Balance Sheet

March 31, 2010

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Cash and cash equivalents	$ 0.1	$	$	$ 23.4	$	$ 23.5
Accounts receivable, net	33.1	126.2	410.3	101.1	(516.5)	154.2
Inventories, net		73.5		84.1		157.6
Deferred tax assets		10.0	(1.5)			8.5
Other current assets	(0.1)	7.7	0.3	9.9		17.8
Total current assets	33.1	217.4	409.1	218.5	(516.5)	361.6
Equity investments	26.3	77.2	26.5	3.4	(128.7)	4.7
Property, plant and equipment, net		88.8		65.8		154.6
Goodwill		37.0		32.0		69.0
Deferred tax assets		67.8	(47.7)	4.3		24.4
Other noncurrent assets		20.4	(0.1)	5.9	(0.1)	26.1
Total assets	$ 59.4	$ 508.6	$ 387.8	$ 329.9	$ (645.3)	$ 640.4
LIABILITIES AND EQUITY						
Accounts payable	$ 3.5	$ 478.0	$ 12.7	$ 105.1	$ (516.6)	$ 82.7
Accrued liabilities	4.3	29.0	(0.1)	25.3		58.5
Short-term debt and current portion of long-term debt		0.2				0.2
Total current liabilities	7.8	507.2	12.6	130.4	(516.6)	141.4
Long-term debt		314.0		0.6		314.6

Other long-term liabilities		96.4		25.3		121.7
Total liabilities	7.8	917.6	12.6	156.3	(516.6)	577.7
Koppers stockholders equity	51.6	(409.0)	375.2	162.5	(128.7)	51.6
Noncontrolling interests				11.1		11.1
Total liabilities and equity	$ 59.4	$ 508.6	$ 387.8	$ 329.9	$ (645.3)	$ 640.4

Condensed Consolidating Balance Sheet

December 31, 2009

(Dollars in millions)	Parent	Koppers Inc.	Domestic Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Cash and cash equivalents	$ 0.2	$ 12.9	$	$ 45.3	$	$ 58.4
S-T investments & restricted cash				4.4		4.4
Accounts receivable, net	36.1	121.3	415.8	83.1	(516.7)	139.6
Inventories, net		78.9		74.0	(0.2)	152.7
Deferred tax assets		10.0	(1.5)			8.5
Other current assets		6.9	0.3	10.3	(0.1)	17.4
Total current assets	36.3	230.0	414.6	217.1	(517.0)	381.0
Equity investments	12.7	77.2	14.8	3.3	(103.3)	4.7
Property, plant and equipment, net		90.9		58.4		149.3
Goodwill		37.0		24.6		61.6
Deferred tax assets		68.2	(47.7)	5.4		25.9
Other noncurrent assets		19.6		2.3		21.9
Total assets	$ 49.0	$ 522.9	$ 381.7	$ 311.1	$ (620.3)	$ 644.4
LIABILITIES AND EQUITY						
Accounts payable	$ 0.6	$ 473.9	$ 10.2	$ 99.3	$ (516.7)	$ 67.3
Accrued liabilities	4.6	29.4	(0.1)	30.4		64.3
Short-term debt and current portion of long-term debt		0.2				0.2