

# Koppers European Holdings ApS

Avernakke 1  
5800 Nyborg  
Denmark

CVR no. 17 55 85 95

## Annual report 2017

The annual report was presented and approved at  
the Company's annual general meeting on

30 May 2018

Kent Bo Svendsen  
chairman



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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Koppers European Holdings ApS for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

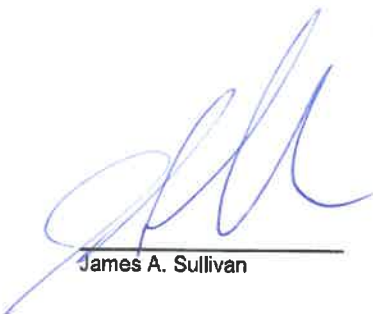
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Nyborg, 30 May 2018  
Executive Board:

  
Kent Bo Svendsen

Board of Directors:

  
Michael Joseph Zugay  
James A. Sullivan  
Steven R. Lacy  
Christian Arndal Nielsen



## **Independent auditor's report**

### **To the shareholder of Koppers European Holdings ApS**

#### **Opinion**

We have audited the financial statements of Koppers European Holdings ApS for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



## Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 May 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Jon Beck  
State Authorised  
Public Accountant  
MNE no. 32169

**Koppers European Holdings ApS**  
Annual report 2017  
CVR no. 17 55 85 95

## **Management's review**

### **Company details**

Koppers European Holdings ApS  
Avernakke 1  
5800 Nyborg  
Denmark

CVR no.: 17 55 85 95  
Financial year: 1 January – 31 December

### **Board of Directors**

Michael Joseph Zugay  
James A. Sullivan  
Steven R. Lacy  
Christian Arndal Nielsen

### **Executive Board**

Kent Bo Svendsen

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 Copenhagen  
Denmark

## **Management's review**

### **Operating review**

#### **Principal activities**

The principal activity of the Company is to hold investments in the Polish and English entities of the Koppers Group.

The English company's main business area is the handling of crude tar that is purchased in the UK and shipped to Denmark on behalf of Koppers International B.V. The finished products derived from it are:

- Main product pitch, which is used in the aluminium industry.
- Various derivate oil products, such as carbon black feedstock, creosote oil and oil extract residue, which is used in various industries, but in particular in the rubber industry, the construction industry and the dye and plastics industries.

Other business areas include the production and sale of chemicals.

Koppers UK Ltd. has signed a processing agreement with Koppers International BV, so that the company passes on all costs with a fixed mark-up. This results in a lower risk profile for Koppers European Holdings ApS and Koppers UK Ltd.

The Polish company's principal activity is to own and be responsible for the operation of a tank storage facility in Szczecin where tar is stored and shipped to Denmark. This tar is under the ownership of Koppers International B.V.

#### **Development in activities and financial position**

For 2017, results before tax were negative at DKK 662 thousand as against a negative DKK 176 thousand for 2016. Results are as expected. Results after tax for 2018 are expected to be in line with those for 2017.

#### **Capital resources**

More than half of the Company's equity was lost at 31 December 2017. Equity is planned to be re-established through the distribution of dividends from subsidiaries in 2018.

#### **Events after the balance sheet date**

No events have occurred after the balance sheet date that materially affect the financial position of the Company at 31 December 2017

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2017	2016
Administrative expenses		<u>-14</u>	<u>-19</u>
<b>Operating profit/loss</b>		<b>-14</b>	<b>-19</b>
Income from equity investments in group entities		104	681
Financial expenses	2	<u>-752</u>	<u>-838</u>
<b>Profit/loss before tax</b>		<b>-662</b>	<b>-176</b>
Tax on profit/loss for the year		<u>169</u>	<u>188</u>
<b>Profit/loss for the year</b>		<b>-493</b>	<b>12</b>
<b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		<u>-493</u>	<u>12</u>



## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Investments</b>			
Equity investments in group entities		37,820	37,820
		37,820	37,820
<b>Total fixed assets</b>		37,820	37,820
<b>Current assets</b>			
<b>Receivables</b>			
Deferred tax asset		0	117
Joint taxation receivable		286	71
		286	188
<b>Total current assets</b>		286	188
<b>TOTAL ASSETS</b>		38,106	38,008

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		500	500
Retained earnings		-301	191
<b>Total equity</b>		<u>199</u>	<u>691</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		15	0
Payables to group entities		<u>37,892</u>	<u>37,317</u>
		<u>37,907</u>	<u>37,317</u>
<b>Total liabilities other than provisions</b>		<u>37,907</u>	<u>37,317</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>38,106</u></u>	<u><u>38,008</u></u>
<b>Contingent liabilities</b>	3		
<b>Related party disclosures</b>	4		

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Koppers European Holdings ApS for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Koppers European Holdings ApS and group entities are included in the consolidated financial statements of Koppers Holdings Inc, USA.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company.

#### Financial expenses

Financial expenses comprise interest expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

#### Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

#### Equity investments in group entities

Equity investments in group entities are measured at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

Dividends from investments in subsidiaries are recognised in the income statement if the dividends are attributable to earnings generated subsequent to the acquisition of the company.

#### Receivables

Receivables are measured at amortised cost.

#### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

#### Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

## 2 Financial expenses

DKK'000

Interest expense to group entities

<u>2017</u>	<u>2016</u>
752	838

## 3 Contingent liabilities

The Company is jointly taxed with Danish entities in the Koppers Holding Inc. Group. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognised in the financial statements of Koppers Europe ApS. Any subsequent corrections of the taxable jointly taxed income or withholdings taxes, etc. may entail an increase in the Company's liability.

## 4 Related party disclosures

### Control

Koppers European Holdings ApS is part of the consolidated financial statements of Koppers Holdings Inc., USA, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Koppers Holdings Inc. can be obtained by contacting the Company or at the following website: [www.koppers.com](http://www.koppers.com).

### Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.