

Koppers Europe ApS

Avernakke 1
5800 Nyborg
Denmark

CVR no. 25 30 19 27

Annual report 2018

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

23 May 2019

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 Europe ApS for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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, 23 May 2019
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 Europe ApS

Opinion

We have audited the financial statements of Koppers Europe ApS for the financial year 1 January – 31 December 2018 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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, 23 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Koppers Europe ApS
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Management's review

Company details

Koppers Europe ApS
Avernakke 1
5800 Nyborg
Denmark

Telephone: +45 63 31 31 00

CVR no.: 25 30 19 27
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
Dampfaergevej 28
2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The principal activity of the Company is to hold investments in the companies in the Koppers Group located in England, Poland, Finland, Norway, Sweden, Germany, Latvia and Denmark. The companies are divided into two divisions (CMC/KPC).

CMC's principal activity is the distillation of crude tar purchased on the world market, however, mainly the European markets. The finished products, of which the main product is pitch, are sold to the aluminum industry.

KPC's principal activity is the sale and distribution of pressure impregnation agents for the timber industry in the Nordic countries, the Baltics, the western part of Russia, Poland and Germany.

Further, the English company also sells and manufactures chemicals.

The subsidiaries, Koppers Denmark ApS and Koppers UK Ltd., have signed a processing agreement with Koppers International B.V., allowing all costs to be charged with a set mark-up. This results in a lower risk profile for Koppers Europe ApS.

Development in activities and financial position

Profit after tax for 2018 amounted to DKK 18,207 thousand as against a loss of DKK 1,207 thousand for 2017. The profit was influenced by dividends received of DKK 19.5 million. If the dividends are disregarded, the profit is in line with last years expectations. Results for 2019 is expected to be in line with 2018 when disregarding the dividends received 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 2018.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Administrative expenses		<u>-23</u>	<u>-14</u>
Operating loss		-23	-14
Income from equity investments in group entities		19,500	0
Financial income		575	776
Financial expenses	2	<u>-2,215</u>	<u>-2,310</u>
Profit/loss before tax		17,837	-1,548
Tax on profit/loss for the year		<u>370</u>	<u>341</u>
Profit/loss for the year		18,207	-1,207
Proposed profit appropriation/distribution of loss			
Retained earnings		<u>18,207</u>	<u>-1,207</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Investments			
Equity investments in group entities		230,292	230,292
Total fixed assets		230,292	230,292
Current assets			
Receivables			
Other receivables		487	0
Corporation tax		370	570
		857	570
Total current assets		857	570
TOTAL ASSETS		231,149	230,862
EQUITY AND LIABILITIES			
Equity			
Contributed capital		8,375	8,375
Retained earnings		182,796	164,589
Total equity		191,171	172,964
Liabilities			
Non-current liabilities other than provisions	3		
Payables to group entities		33,324	36,559
Current liabilities other than provisions			
Trade payables		14	14
Payables to group entities		6,640	21,222
Other payables		0	103
		6,654	21,339
Total liabilities		39,978	57,898
TOTAL EQUITY AND LIABILITIES		231,149	230,862
Contingent liabilities	4		
Related party disclosures	5		

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Koppers Europe ApS for 2018 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 Europe 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.

Fixed assets acquired in foreign currencies are measured at the exchange rates at the transaction date.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the asset or liability. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Changes in the fair value of derivative financial instruments used for hedging of net investments in independent foreign subsidiaries or associates are recognised directly in equity; see above.

Income statement

Administrative expenses

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

Income from equity investments in group entities and associates

Dividends from equity investments measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividends exceed the consolidated carrying amount of the net assets in the subsidiary.

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies 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 Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

Receivables

Receivables are measured at amortised cost.

Liabilities

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.

Financial statements 1 January – 31 December

Notes

2 Financial expenses

DKK'000	2018	2017
Interest expense to group entities	2,215	2,310

3 Non-current liabilities other than provisions

An amount of DKK 33,324 thousand falls due for payment after five years.

4 Contingent liabilities

The Company is jointly taxed with its subsidiaries. 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 withholding taxes, etc. may entail an increase in the Company's liability.

5 Related party disclosures

Control

Koppers Europe 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 in the consolidated financial statements as a subsidiary.

The consolidated financial statements of Koppers Holdings Inc. can be obtained by contacting the Company or the following website: www.koppers.com

Related party transactions

DKK'000	2018	2017
Dividends received		
Dividends received	19,500	0

Payable to group entities are disclosed in the balance sheet on page 8, and expensed interest is disclosed in note 2.