

2016 ACCCI - Coal Chemicals Update



RESPONSIBLE CARE[®]
OUR COMMITMENT TO SUSTAINABILITY

David Schoen
Director, Raw Materials Purchasing
April 2016

Agenda

- Fall 2015 Presentation Reminder
- Koppers Overview: Updated
- Demand Drivers in North America: Updated
- Supply Drivers in North America: Updated
- Closing

Coal Tar and Some History In a Picture



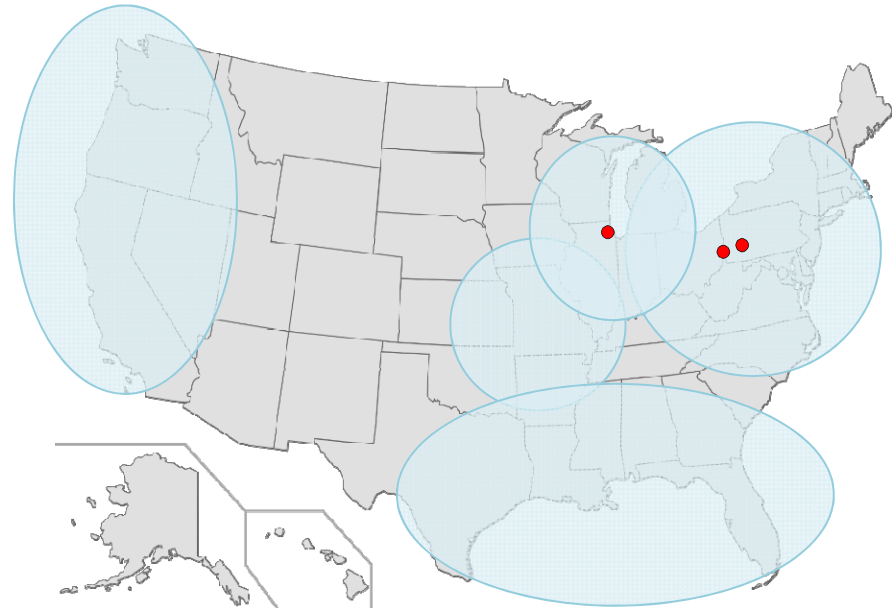
Our Industry: Where Coal &
Chemicals Pass Each
Other....And Compete with Oil....

2015: Koppers Overview – CM&C North America



Facilities offer flexible ocean vessel, barge, rail, truck, and pipeline logistics

- Coal Tar Distillation Facilities
 - Clairton, PA
 - Follansbee, WV
 - Stickney, IL
- Terminals / Material Storage
 - Midwest
 - U.S. Gulf Coast
 - Pacific Coast
- Research and Technology
 - Harmarville, PA

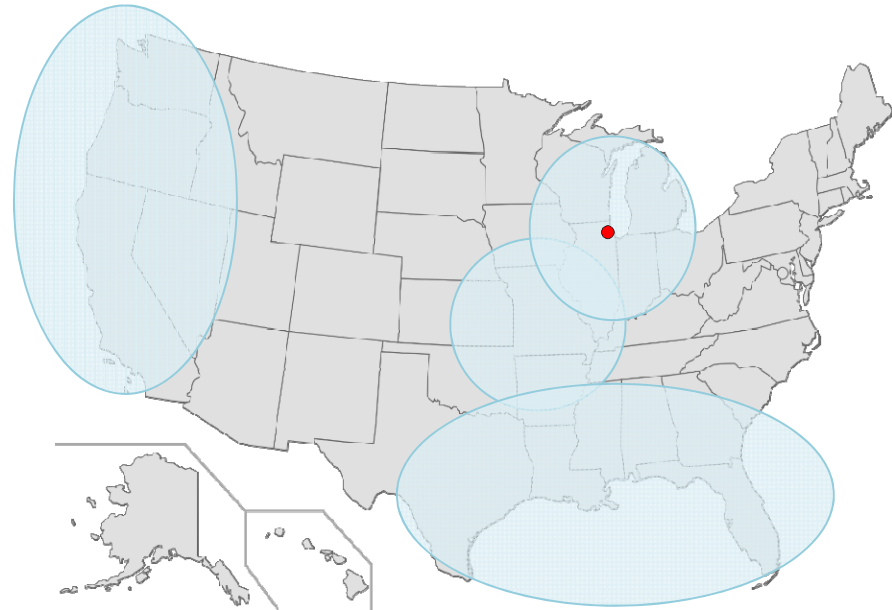


UPDATE: Koppers Overview – CM&C North America



Facilities offer flexible ocean vessel, barge, rail, and truck logistics

- Coal Tar Distillation Facilities
 - ~~Clairton, PA~~
 - ~~Follansbee, WV~~
 - Stickney, IL
- Terminals / Material Storage
 - Midwest
 - U.S. Gulf Coast
 - Pacific Coast
- Research and Technology
 - Harmarville, PA



DEMAND DRIVERS IN NORTH AMERICA - UPDATED

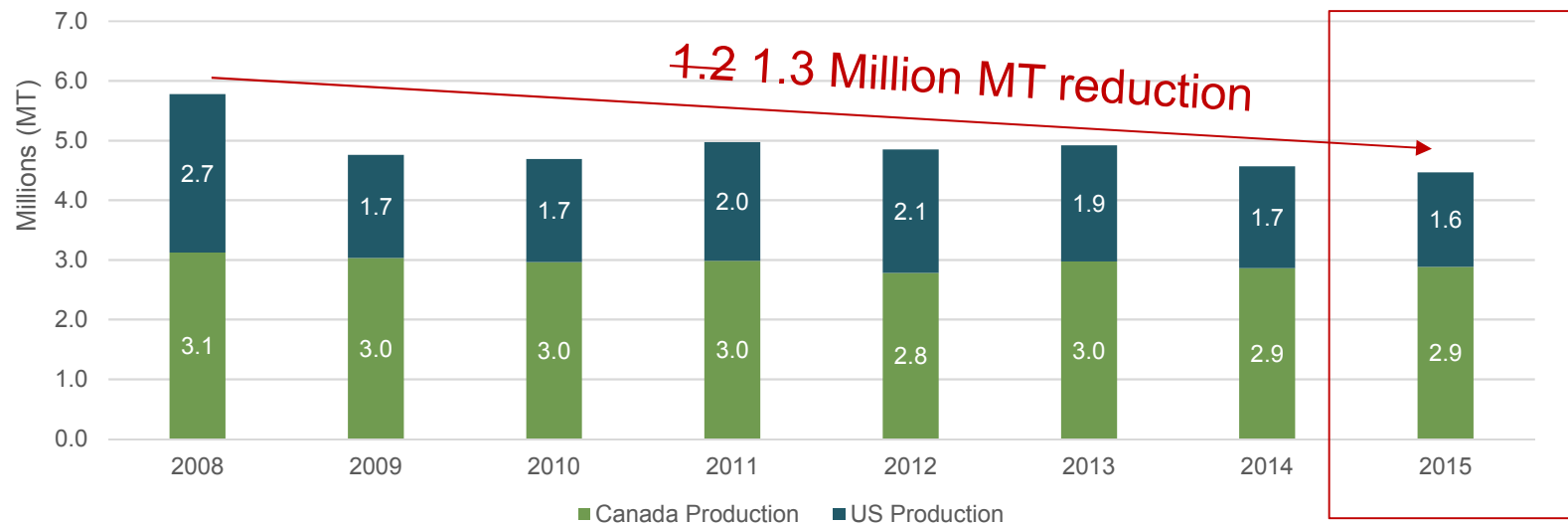
UPDATE: Demand Drivers – Finished Good Demand



- Carbon Pitch, and Refined Tar
 - Carbon pitch demand tracks primary aluminum production: a ~~1.2~~ 1.3 Million MT reduction in primary aluminum production represents ~~~240,000~~ ~260,000 MT reduction in tar demand

Primary Aluminum Production (Metric Tons)

Source: Aluminum Association Data



- Only part of the story...

Aluminum News

Noranda to shut down final New Madrid pot line, file for bankruptcy

*Published: Monday, February 8th 2016, 12:04 pm EDT
Updated: Monday, February 8th 2016, 7:52 pm EDT*

Emotions run high as Mount Holly smelter begins shutdown process



David Wren ✉ Email 🐦 @David_Wren_

Dec 14 2015 9:36 am 🕒 Dec 14 9:09 pm

BUSINESS

Alcoa to Close Indiana Plant, Idle Another in Texas

Moves will cause 1,270 job cuts in another painful hit for the aluminum industry

Alcoa idling, closing smelters in New York and Washington

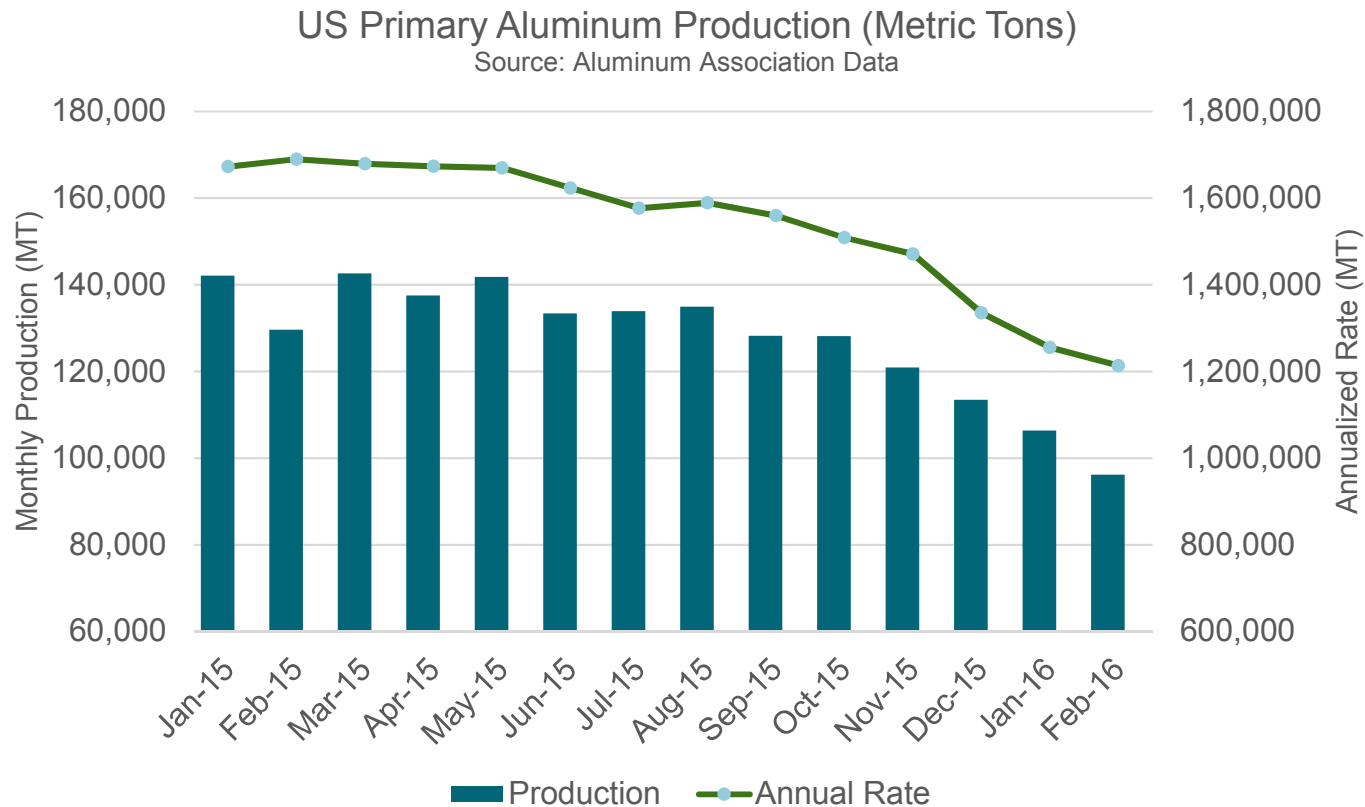
By The Associated Press

Published: November 4, 2015, 5:13 PM

UPDATE: Demand Drivers – Finished Good Demand - Continued



- Carbon Pitch 2015-2016 focus

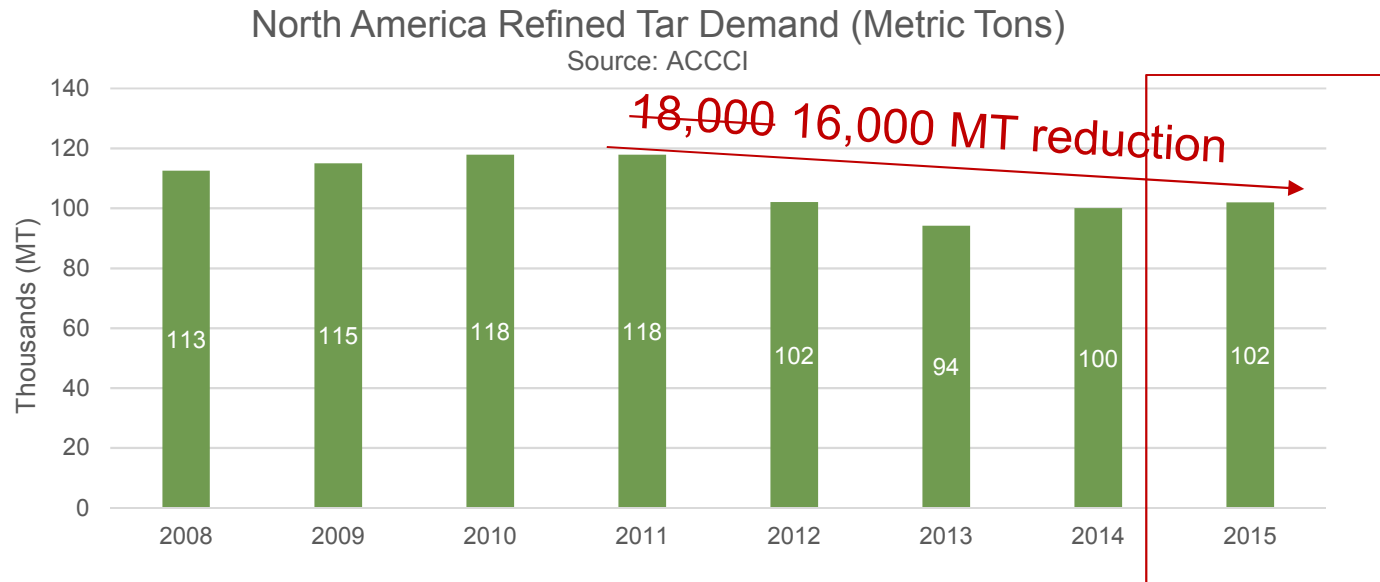


- Only a portion of announced closures are hitting the data thru February

UPDATE: Demand Drivers – Finished Good Demand



- Carbon Pitch, and Refined Tar
 - Refined Tar: an ~~48~~ **16,000** MT reduction from 2011's recent high represents a **~25** **22,000** MT reduction in tar demand

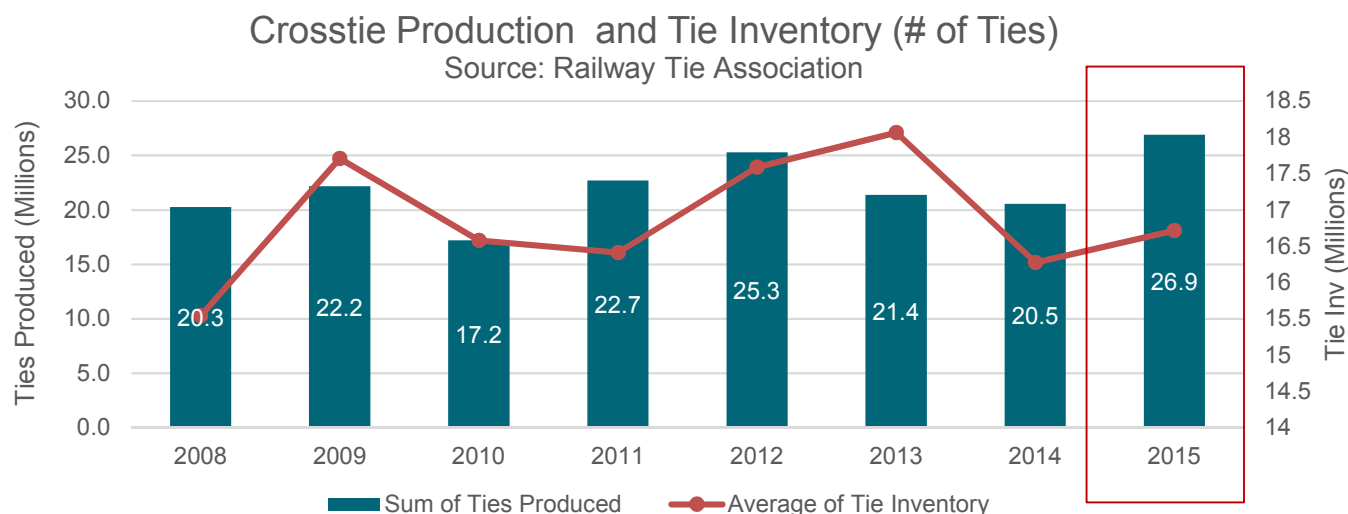


UPDATE: Demand Drivers – Finished Good Demand



- Distillates:

- Creosote: Healthy market remains. Strong 2015 tie production, but inventories are on the rise, especially in the second half of 2015



- Carbon Black Feedstock: Still competing with petroleum based material
- Chemical Oil:
 - Creosote blending components
 - Naphthalene: Feedstock for internal Phthalic Anhydride production

UPDATE: Demand Drivers – Alternate Raw Materials

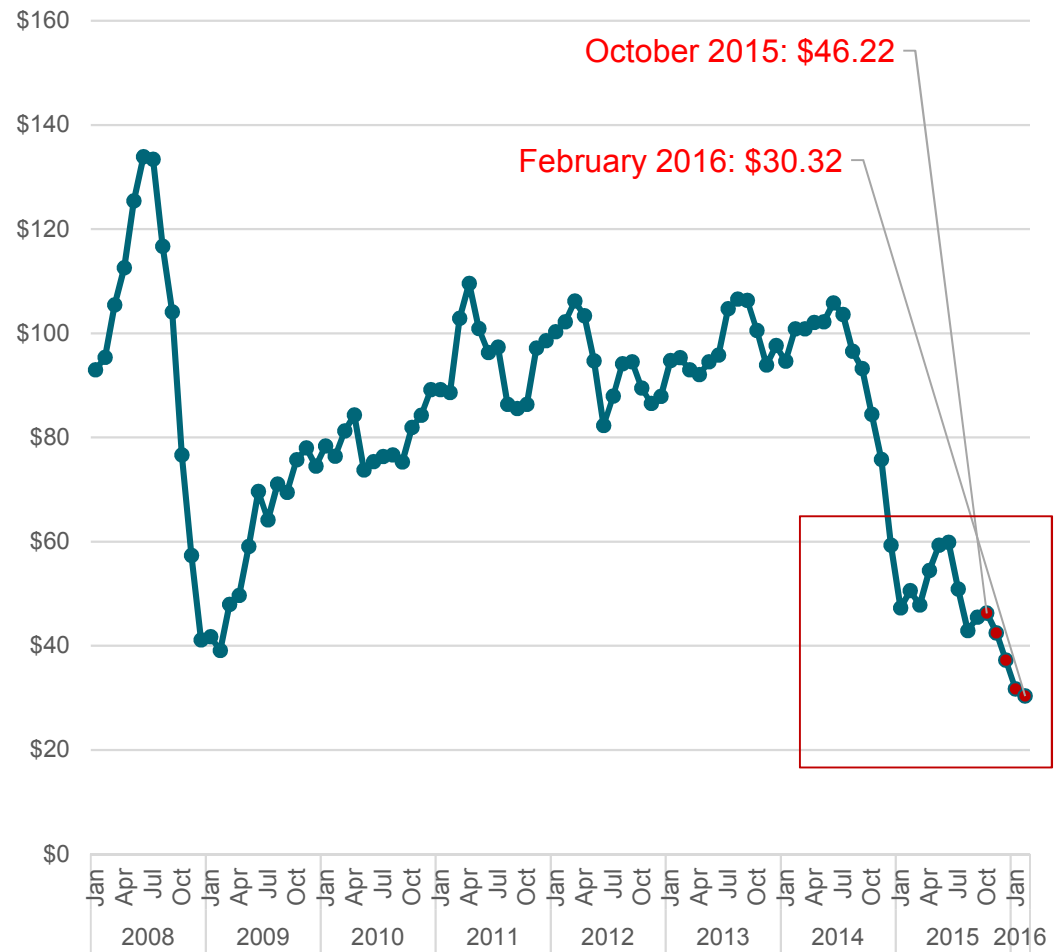


- Alternatives to coal tar:
 - “Heavy” petroleum streams also distill into useful pitch and distillate products
 - “Heavy” petroleum streams are useful in creosote blending
 - Petrochemicals are a preferred feedstock for phthalic anhydride production



West Texas Intermediate Oil Prices (\$/bbl)

Source: US Energy Administration Information



SUPPLY DRIVERS IN NORTH AMERICA - UPDATED

UPDATE: Supply Drivers in North America



- Fall 2015 :
 - Imported steel, and general market conditions determine coke requirements and tar availability
 - Economics, limited CAPEX, environmental pressures make operating a challenge
 - Take away: Supply of domestically produced coal tar has declined in recent years. However, the decline has been outpaced by the decline in underlying demand for finished coal tar products and increased imported finished coal tar goods.
- 2016:
 - Trade cases have begun to stem the tide of imported steel.
 - Coke plant closures and reduced rates continue to be a factor
 - Take away: Is this difficult time for steel/coke just another cycle or is it expected to linger

Questions

- Closing comment:
 - In the face of difficult and evolving market conditions, Koppers will adapt accordingly and utilize its global footprint to best serve its customers and preserve its strong supplier/customer relationships across the world
- Thank you for your attention and interest in our industry!
- Contact information:

David R. Schoen

Director, Raw Materials Purchasing

North American Operations

Carbon Materials and Chemicals

Koppers Inc. | 436 Seventh Avenue | Pittsburgh, PA 15219 | United States

T: +1 412 227 2350 | M: +1 412 370 2655 | F: +1 412 227 2778

SchoenDR@koppers.com

