CALGON CARBON CORPORATION
Form 10-Q
August 05, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 1-10776

CALGON CARBON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**25-0530110**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 717, Pittsburgh, PA	**15230-0717**
(Address of principal executive offices)	(Zip Code)

(412) 787-6700

(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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a 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 o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2010

Common Stock, $.01 par value per share	56,168,348 shares

CALGON CARBON CORPORATION
FORM 10-Q
QUARTER ENDED June 30, 2010

The Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Forward-looking statements typically contain words such as expect, believe, estimate, anticipate, or similar words indicating that fut outcomes are uncertain. Statements looking forward in time, including statements regarding future growth and profitability, price increases, cost savings, broader product lines, enhanced competitive posture and acquisitions, are included this Form 10-Q and in the Company s most recent Annual Report pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the company s actual results in future periods to be materially different from any future performance suggested herein. Further, the company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company s control. Some of the factors that could affect future performance of the Company are higher energy and raw material costs, costs of imports and related tariffs, labor relations, availability of capital, environmental requirements as they relate both to our operations and to our customers, changes in foreign currency exchange rates, borrowing restrictions, validity of patents and other intellectual property, and pension costs. In the context of the forward-looking information provided in this Form 10-Q and in other reports, please refer to the discussions of risk factors and other information detailed in, as well as the other information contained in the Company s most recent Annual Report.

I N D E X

CERTIFICATIONS

Table of Contents

PART I CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements included herein have been prepared by Calgon Carbon Corporation and subsidiaries (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Management of the Company believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the Company s audited consolidated financial statements and the notes included therein for the year ended December 31, 2009, as filed with the Securities and Exchange Commission by the Company in Form 10-K.

In management s opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, and which are necessary for a fair presentation, in all material respects, of financial results for the interim periods presented. Operating results for the first six months of 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Table of Contents

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands Except Per Share Data)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net sales	$ 123,574	$ 98,649	$ 223,059	$ 184,601
Net sales to related parties		4,441	3,442	9,122
Total	123,574	103,090	226,501	193,723
Cost of products sold (excluding depreciation and amortization)	80,512	70,319	146,303	131,533
Depreciation and amortization	5,261	3,972	10,338	7,748
Selling, general and administrative expenses	19,997	17,380	38,161	33,125
Research and development expenses	2,047	1,246	3,534	2,208
Litigation contingency (See Note 8)	11,500		11,500	
	119,317	92,917	209,836	174,614
Income from operations	4,257	10,173	16,665	19,109
Interest income	88	77	204	204
Interest expense	(86)	(186)	(94)	(207)
Gain on acquisitions (See Note 1)			3,119	
Other expense-net (See Note 10)	(172)	(1,500)	(475)	(1,928)
Income from operations before income tax and equity in income from equity investments	4,087	8,564	19,419	17,178
Income tax provision	1,171	2,893	6,686	5,974
Income from operations before equity in income from equity investments	2,916	5,671	12,733	11,204
Equity in income from equity investments		427	112	868
Net income	$ 2,916	$ 6,098	$ 12,845	$ 12,072

Net income per common share

Basic:	$ 0.05	$ 0.11	$ 0.23	$ 0.22
Diluted:	$ 0.05	$ 0.11	$ 0.23	$ 0.21
Weighted average shares outstanding				
Basic	55,829,588	54,331,467	55,769,509	54,224,885
Diluted	56,748,454	56,285,314	56,736,894	56,182,738

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

3

Table of Contents

CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,035	$ 38,029
Restricted cash	1,333	5,556
Receivables (net of allowance of $1,660 and $1,971)	84,189	61,716
Receivables from related parties		2,588
Revenue recognized in excess of billings on uncompleted contracts	5,454	5,963
Inventories	96,750	84,587
Deferred income taxes current	18,493	15,935
Other current assets	9,316	7,471
Total current assets	260,570	221,845
Property, plant and equipment, net	163,404	155,100
Equity investments	212	10,969
Intangibles	9,758	4,744
Goodwill	26,647	26,934
Deferred income taxes long-term	2,698	2,601
Other assets	4,892	3,525
Total assets	$ 468,181	$ 425,718
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 63,545	$ 44,821
Billings in excess of revenue recognized on uncompleted contracts	4,775	4,522
Payroll and benefits payable	8,720	9,509
Accrued income taxes	2,803	3,169
Short-term debt	16,156	
Current portion of long-term debt	2,711	
Total current liabilities	98,710	62,021
Long-term debt	4,766	
Deferred income taxes long-term	4,847	189
Accrued pension and other liabilities	44,810	56,422
Total liabilities	153,133	118,632

Redeemable non-controlling interest (Note 1)	1,618	
Commitments and contingencies (Note 8)		
Shareholders equity:		
Common shares, $.01 par value, 100,000,000 shares authorized, 58,734,760 and 58,553,617 shares issued	587	586
Additional paid-in capital	166,245	164,236
Retained earnings	186,010	173,165
Accumulated other comprehensive loss	(8,584)	(1,006)
	344,258	336,981
Treasury stock, at cost, 3,069,076 and 3,006,037 shares	(30,828)	(29,895)
Total shareholders equity	313,430	307,086
Total liabilities and shareholders equity	$ 468,181	$ 425,718

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

4

Table of Contents

CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash flows from operating activities		
Net income	$ 12,845	$ 12,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on acquisitions (Note 1)	(3,119)	
Litigation contingency (Note 8)	11,500	
Depreciation and amortization	10,338	7,748
Equity in income from equity investments - net	(112)	(418)
Employee benefit plan provisions	1,434	2,690
Write-off of prior credit facility fees (Note 10)		827
Amortization of convertible notes discount		185
Stock-based compensation	1,388	1,239
Deferred income tax	(283)	1,863
Changes in assets and liabilities:		
(Increase) decrease in receivables	(3,077)	288
(Increase) decrease in inventories	(768)	706
(Increase) decrease in revenue in excess of billings on uncompleted contracts and other current assets	(6,892)	4,088
Increase (decrease) in accounts payable and accrued liabilities	974	(2,550)
Increase in accrued income taxes	5,679	433
Pension contributions	(7,561)	(733)
Other items net	(57)	1,167
Net cash provided by operating activities	22,289	29,605
Cash flows from investing activities		
Purchase of businesses net of cash (Note 1)	(2,103)	
Property, plant and equipment expenditures	(16,999)	(28,196)
Proceeds from disposals of property, plant and equipment	56	
Cash pledged for collateral	(1,066)	(11,019)
Cash released from collateral	5,289	
Net cash used in investing activities	(14,823)	(39,215)
Cash flows from financing activities		
Revolving credit facility borrowings, net		7,600
Proceeds from debt obligations (Note 10)	6,587	
Reductions of debt obligations (Note 10)	(6,770)	(4,530)
Treasury stock purchased	(933)	(879)
Common stock issued	223	448

Excess tax benefit from stock-based compensation	399	362
Other (Note 10)		(1,028)
Net cash (used in) provided by financing activities	(494)	1,973
Effect of exchange rate changes on cash	34	(1,612)
Increase (decrease) in cash and cash equivalents	7,006	(9,249)
Cash and cash equivalents, beginning of period	38,029	16,750
Cash and cash equivalents, end of period	$ 45,035	$ 7,501

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

Table of Contents

CALGON CARBON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands)
(Unaudited)

1. Acquisitions

Zwicky Denmark and Sweden (Zwicky) and Hyde Marine, Inc. (Hyde)

On January 4, 2010, the Company acquired two Zwicky businesses. The Company acquired substantially all of the assets of Zwicky AS (Denmark) and acquired 100% of the outstanding shares of capital stock of Zwicky AB (Sweden). These companies were distributors of activated carbon products and providers of services associated with the reactivation of activated carbon and, subsequent to acquisition, their results are included in the Company s Activated Carbon and Service segment. As a result of the Zwicky acquisitions, the Company has increased its presence in Northern Europe.

On January 29, 2010, the Company acquired 100% of the capital stock of Hyde, a manufacturer of systems that use ultraviolet light technology to treat marine ballast water. The results of Hyde are included in the Company s Equipment segment. The Hyde acquisition provides the Company with immediate entry into the new global market for ballast water treatment and increases its knowledge base and experience in using ultraviolet light technology to treat water.

The aggregate purchase price for these acquisitions was $4.3 million, including cash paid at closing of $2.8 million as well as deferred payments and earnouts valued at $1.5 million. The fair value of assets acquired less liabilities assumed for Hyde exceeded the purchase price thereby resulting in a pre-tax gain of $0.3 million. The Company recorded an estimated earnout liability of $0.6 million payable to the former owner and certain employees of Hyde calculated based upon 5% of certain defined cash flow of the business through 2018, without limitation. This liability is recorded in accrued pension and other liabilities within the consolidated balance sheet.

Calgon Mitsubishi Chemical Corporation (CMCC)

On March 31, 2010, the Company increased its ownership interest in its Japanese joint venture with CMCC from 49% to 80%. The increase in ownership was accomplished by CMCC borrowing funds and purchasing shares of capital stock directly from the former majority owner Mitsubishi Chemical Corporation (MCC) for approximately $7.7 million. Subsequent to the share purchase and resultant control by the Company, the venture was re-named Calgon Carbon Japan KK (CCJ). CCJ also agreed to acquire the remaining shares held by MCC on March 31, 2011 (the redeemable noncontrolling interest) for approximately $2.4 million, subject to working capital and other adjustments which are currently estimated to reduce the final payment by $0.8 million, to $1.6 million. The increased ownership and control triples the Company s sales revenue in Asia and adds to its workforce and infrastructure in Japan, the world s second largest activated carbon market. The consolidated results of CCJ will be reflected in the Company s Activated Carbon and Service segment.

The acquisition date fair value of the Company s former 49% equity interest in CMCC was approximately $9.8 million. As a result of remeasuring this equity interest to fair value, the Company recorded a pre-tax gain of $2.8 million as of March 31, 2010.

Table of Contents

The preliminary purchase price allocations and resulting impact on the corresponding consolidated balance sheet relating to these acquisitions is as follows:

(In thousands)	
Assets:	
Cash	$ 709
Accounts receivable	19,511
Inventory	14,623
Property, plant, and equipment, net	7,606
Intangibles*	5,696
Other current assets	1,345
Other assets	1,114
Total Assets	50,604
Liabilities:	
Accounts payable	(8,230)
Short-term debt	(14,777)
Current portion of long-term debt	(2,569)
Long-term debt	(5,160)
Accrued pension and other liabilities	(4,319)
Total Liabilities	(35,055)
Redeemable non-controlling interest	(1,618)
Net Assets	$ 13,931
Cash Paid for Acquisitions	$ 2,812

* Weighted amortization period of 8.9 years.

Subsequent to their acquisition and excluding the related net after tax gains of $2.7 million recorded at March 31, 2010 , these entities have contributed the following to the Company s consolidated operating results for the three and six month periods ended June 30, 2010:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Revenue	$ 15,599	$ 16,652
Net loss	$ (76)	$ (498)

The aggregate purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based on their respective estimated acquisition date fair values. The purchase price allocations are preliminary and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. Management believes that the information provides a reasonable basis for allocating the purchase price but the Company is awaiting additional information necessary to finalize the purchase price allocations. Such information includes asset and liability valuations related primarily to inventories, intangible assets, and employee related liabilities all of which are necessary to finalize the purchase price allocation. The fair values reflected above may be adjusted upon the final valuations and such adjustments could be significant. The Company expects to finalize the valuations and complete the purchase price allocations as soon as possible but no later than one year from each acquisition date. Additional acquisition date fair value information was obtained during the quarter ended June 30, 2010. The preliminary purchase price allocations were adjusted to reflect such information which were primarily related to tax; property, plant, and equipment; and intangibles. These changes were recorded as retrospective adjustments to the March 31, 2010 condensed consolidated financial statements and resulted in a revised gain on acquisitions of $3.1 million, an increase of $0.9 million from the gain on acquisitions originally reported at March 31, 2010.

Table of Contents

Pro Forma Information

The operating results of the acquired companies have been included in the Company s condensed consolidated financial statements from the dates each were acquired. The following unaudited pro forma results of operations assume that the acquisitions had been included for the full periods indicated. Such results are not necessarily indicative of the actual results of operations that would have been realized nor are they necessarily indicative of future results of operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	$ 123,574	$ 115,241	$ 243,707	$ 224,277
Net income	$ 2,916	$ 6,704	$ 11,659	$ 13,443
Net income per common share				
Basic	$ 0.05	$ 0.12	$ 0.21	$ 0.25
Diluted	$ 0.05	$ 0.12	$ 0.21	$ 0.24

These pro forma amounts have been calculated after adjusting for sales and related profit resulting from the Company s sales of activated carbon to both CCJ and Zwicky. In addition, the equity earnings from the Company s former non-controlling interest in CCJ have been removed. The results also reflect additional amortization that would have been charged assuming fair value adjustments to amortizable intangible assets had been applied to the beginning of each period presented.

The results for the six month period ended June 30, 2010 exclude approximately $2.7 million of after-tax gains associated with the acquisitions.

2. Inventories:

	June 30, 2010	December 31, 2009
Raw materials	$ 21,082	$ 22,657
Finished goods	75,668	61,930
	$ 96,750	$ 84,587

3. Supplemental Cash Flow Information:

Cash paid for interest during the six months ended June 30, 2010 and 2009 was $0.1 million and $0.2 million, respectively. Income taxes paid, net of refunds, were $7.3 million and $2.7 million, for the six months ended June 30, 2010 and 2009, respectively.

The Company has reflected $1.3 million and $0.5 million of its capital expenditures as a decrease in accounts payable and accrued liabilities for changes in unpaid capital expenditures for the six months ended June 30, 2010 and 2009, respectively.

4. Dividends:

The Company s Board of Directors did not declare or pay a dividend for the three or six month periods ended June 30, 2010 and 2009.

Table of Contents

5. Comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	$ 2,916	$ 6,098	$ 12,845	$ 12,072
Other comprehensive income (loss), net of taxes	(2,524)	5,121	(7,578)	1,490
Comprehensive income	$ 392	$ 11,219	$ 5,267	$ 13,562

The only matters contributing to the other comprehensive loss during the three and six months ended June 30, 2010 was the foreign currency translation adjustment of $(4.1) million and $(9.9) million, respectively; the changes in employee benefit accounts of $0.9 million and $1.4 million, respectively; and the change in the fair value of the derivative instruments of $0.7 million and $0.9 million, respectively. The only matters contributing to the other comprehensive income during the three and six months ended June 30, 2009 was the foreign currency translation adjustment of $5.2 million and $1.8 million, respectively; the changes in employee benefit accounts of $(47) thousand and $0.5 million, respectively; and the change in the fair value of the derivative instruments of $(0.1) million and $(0.8) million, respectively.

6. Segment Information:

The Company s management has identified three segments based on product line and associated services. Those segments include Activated Carbon and Service, Equipment, and Consumer. The Company s chief operating decision maker, its chief executive officer, receives and reviews financial information in this format. The Activated Carbon and Service segment manufactures granular activated carbon for use in applications to remove organic compounds from liquids, gases, water, and air. This segment also consists of services related to activated carbon including reactivation of spent carbon and the leasing, monitoring, and maintenance of carbon fills at customer sites. The service portion of this segment also includes services related to the Company s ion exchange technologies for treatment of groundwater and process streams. The Equipment segment provides solutions to customers air and liquid process problems through the design, fabrication, and operation of systems that utilize the Company s enabling technologies: carbon adsorption, ultraviolet light, and advanced ion exchange separation. The Consumer segment brings the Company s purification technologies directly to the consumer in the form of products and services including carbon cloth and activated carbon for household odors. The following segment information represents the results of the Company s operations:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net Sales				
Activated Carbon and Service	$ 110,381	$ 89,383	$ 200,833	$ 167,146
Equipment	11,129	11,327	21,289	22,226
Consumer	2,064	2,380	4,379	4,351
	$ 123,574	$ 103,090	$ 226,501	$ 193,723
Income (loss) from operations before depreciation and amortization				
Activated Carbon and Service	$ 9,275	$ 13,200	$ 26,962	$ 25,082
Equipment	243	962	(72)	1,937
Consumer		(17)	113	(162)
	9,518	14,145	27,003	26,857
Depreciation and amortization				
Activated Carbon and Service	4,594	3,549	9,068	6,909
Equipment	550	304	1,036	606
Consumer	117	119	234	233
	5,261	3,972	10,338	7,748
Income from operations	4,257	10,173	16,665	19,109
Reconciling items:				
Interest income	88	77	204	204
Interest expense	(86)	(186)	(94)	(207)
Gain on acquisitions			3,119	
Other expense net	(172)	(1,500)	(475)	(1,928)
Consolidated income from operations before income tax and equity in income from equity investments	$ 4,087	$ 8,564	$ 19,419	$ 17,178

	June 30, 2010	December 31, 2009
Total Assets		
Activated Carbon and Service	$ 409,613	$ 368,363
Equipment	48,439	44,001
Consumer	10,129	13,354
Consolidated total assets	$ 468,181	$ 425,718

Table of Contents

7. Derivative Instruments

The Company s corporate and foreign subsidiaries use foreign currency forward exchange contracts and foreign exchange option contracts to limit the exposure of exchange rate fluctuations on certain foreign currency receivables, payables, and other known and forecasted transactional exposures for periods consistent with the expected cash flow of the underlying transactions. The foreign currency forward exchange and foreign exchange option contracts generally mature within eighteen months and are designed to limit exposure to exchange rate fluctuations. The Company uses cash flow hedges to limit the exposure to changes in natural gas prices. The natural gas forward contracts generally mature within one to thirty-six months. The Company also previously had a ten-year foreign currency swap agreement to fix the foreign exchange rate on a $6.5 million intercompany loan between the Company and its foreign subsidiary, Chemviron Carbon Ltd. Since its inception, the foreign currency swap had been treated as a foreign exchange cash flow hedge. During the first quarter of 2010, the Company contributed its receivable as additional equity to Chemviron Carbon Ltd. and the related foreign currency swap was terminated. The Company accounts for its derivative instruments under Accounting Standards Codification (ASC) 815 Derivatives and Hedging. The fair value of outstanding derivative contracts recorded as assets in the accompanying Consolidated Balance Sheets were as follows:

Asset Derivatives	**Balance Sheet Locations**	**June 30, 2010**	**December 31, 2009**
Derivatives designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Other current assets	$ 788	$ 60
Natural gas contracts	Other current assets	3	5
Currency swap	Other assets		210
Foreign exchange contracts	Other assets	422	
Natural gas contracts	Other assets	1	4
Total derivatives designated as hedging instruments under ASC 815		1,214	279
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Other current assets	$ 9	$ 25
Total derivatives not designated as hedging instruments under ASC 815		9	25
Total asset derivatives		$ 1,223	$ 304

Table of Contents

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Consolidated Balance Sheets were as follows:

Liability Derivatives	**Balance Sheet Locations**	**June 30, 2010**	**December 31, 2009**
Derivatives designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Accounts payable and accrued liabilities	$ 5	$ 716
Natural gas contracts	Accounts payable and accrued liabilities	1,775	1,211
Natural gas contracts	Accrued pension and other liabilities	663	852
Total derivatives designated as hedging instruments under ASC 815		2,443	2,779
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Accounts payable and accrued liabilities	$ 5	$
Total derivatives not designated as hedging instruments under ASC 815		5	
Total liability derivatives		$ 2,448	$ 2,779

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs that reflect the reporting entity s own assumptions.

In accordance with ASC 820, Fair Value Measurements and Disclosures, the fair value of the Company s foreign exchange forward contracts, foreign exchange option contracts, currency swap, and natural gas forward contracts is determined using Level 2 inputs, which are defined as observable inputs. The inputs used are from market sources that aggregate data based upon market transactions.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings and were not material for the three and six month periods ended June 30, 2010 and 2009, respectively

Table of Contents

The following table provides details on the changes in accumulated OCI relating to derivative assets and liabilities that qualified for cash flow hedge accounting.

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Accumulated OCI derivative loss at April 1, 2010 and January 1, 2010, respectively	$ 3,096	$ 3,195
Effective portion of changes in fair value	(1,668)	(1,093)
Reclassifications from accumulated OCI derivative gain (loss) to earnings	(199)	(846)
Foreign currency translation	44	17
Accumulated OCI derivative loss at June 30, 2010	$ 1,273	$ 1,273

	Amount of (Gain) or Loss Recognized in OCI on Derivatives (Effective Portion) Three Months Ended June 30,	
	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationships:		
Foreign Exchange Contracts	$ (1,437)	$ (1,299)
Currency Swap		527
Natural Gas Contracts	(231)	435
Total	$ (1,668)	$ (337)

	Amount of (Gain) or Loss Recognized in OCI on Derivatives (Effective Portion) Six Months Ended June 30,	
	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationships:		
Foreign Exchange Contracts	$ (2,176)	$ (478)
Currency Swap		521
Natural Gas Contracts	1,083	(1,054)
Total	$ (1,093)	$ (1,011)

Amount of (Gain) or Loss Reclassified from Accumulated

	Location of Gain or (Loss) Recognized in Income on Derivatives	OCI in Income (Effective Portion) * Three Months Ended June 30, 2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationships:			
Foreign Exchange Contracts	Cost of products sold	$ 83	$ (367)
Natural Gas Contracts	Cost of products sold	(282)	399
Total		$ (199)	$ 32

Table of Contents

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Reclassified from Accumulated OCI in Income (Effective Portion) * Six Months Ended June 30, 2010	2009
Foreign Exchange Contracts	Cost of products sold	$ 43	$ (691)
Currency Swap	Interest expense	(121)	
Natural Gas Contracts	Cost of products sold	(768)	561
Total		$ (846)	$ (130)

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ** Three Months Ended June 30, 2010	2009
Foreign Exchange Contracts	Other expense net	$ (1)	$ 13
Total		$ (1)	$ 13

	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ** Six Months Ended June 30, 2010	2009

Derivatives in ASC 815 Cash Flow Hedging Relationships:				
Foreign Exchange Contracts	Other expense net		$ (2)	$ 17
Total			$ (2)	$ 17

* Assuming market rates remain constant with the rates at June 30, 2010, a loss of $0.6 million is expected to be recognized in earnings over the next 12 months.

** For the three and six months ended June 30, 2010 and 2009, the amount of loss recognized in income was all attributable to the ineffective portion of the hedging relationships.

The Company had the following outstanding derivative contracts that were entered into to hedge forecasted transactions:

(in thousands except for mmbtu)	June 30, 2010	December 31, 2009
Natural gas contracts (mmbtu)	1,105,000	1,070,000
Foreign exchange contracts	$ 18,579	$ 14,552
Currency swap	$	$ 3,646

Table of Contents

Other

The Company has also entered into certain derivatives to minimize its exposure of exchange rate fluctuations on certain foreign currency receivables, payables, and other known and forecasted transactional exposures. The Company has not qualified these contracts for hedge accounting treatment and therefore, the fair value gains and losses on these contracts are recorded in earnings as follows:

Derivatives Not Designated as Hedging Instruments Under ASC 815:	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives Three Months Ended June 30, 2010	2009
Foreign Exchange Contracts *	Other expense - net	$ (17)	$ 12
Total		$ (17)	$ 12

Derivatives Not Designated as Hedging Instruments Under ASC 815:	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives Six Months Ended June 30, 2010	2009
Foreign Exchange Contracts *	Other expense - net	$ (173)	$ 169
Total		$ (173)	$ 169

* As of June 30, 2010 and 2009, these foreign exchange contracts were entered into and settled during the respective periods.

Management s policy for managing foreign currency risk is to use derivatives to hedge up to 75% of the forecasted intercompany sales to its European subsidiaries. The hedges involving foreign currency derivative instruments do not span a period greater than eighteen months from the contract inception date. Management uses various hedging instruments including, but not limited to foreign currency forward contracts, foreign currency option contracts and foreign currency swaps. Management s policy for managing natural gas exposure is to use derivatives to hedge from 25% to 100% of the forecasted natural gas requirements. These cash flow hedges span up to thirty-six months from the contract inception date. Hedge effectiveness is measured on a quarterly basis and any portion of ineffectiveness is recorded directly to the Company s earnings.

Table of Contents

8. Contingencies

On March 20, 2007, the Company and ADA-ES entered into a Memorandum of Understanding (MOU) providing for cooperation between the companies to attempt to jointly market powdered activated carbon (PAC) to the electric power industry for the removal of mercury from coal fired power plant flue gas. The MOU provided for commissions to be paid to ADA-ES in respect of product sales. The Company terminated the MOU effective as of August 24, 2007 for convenience. Neither party had entered into sales or supply agreements with prospective customers as of that date. On March 3, 2008, the Company entered into a supply agreement with a major U.S. power generator for the sale of powdered activated carbon products with a minimum purchase obligation of approximately $55 million over a 5 year period. ADA-ES claimed that it is entitled to commissions of at least $8.25 million over the course of the 5 year contract, which the Company denies. On September 29, 2008, the Company filed suit in the United States District Court for the Western District of Pennsylvania for a declaratory judgment from the Court that the Company has no obligation to pay ADA-ES commissions related to this contract or for any future sales made after August 24, 2007. The Company has been countersued alleging breach of contract. A jury trial was concluded in July 2010 and the Company received an adverse jury verdict determining that it breached its contract with ADA-ES by failing to pay commissions on sales of PAC to the mercury removal market. The jury awarded $3.0 million for past damages and $9.0 million in a lump sum for future damages, which is recorded as a component of current liabilities at June 30, 2010. The Company recorded a litigation contingency of $11.5 million for the quarter ended June 30, 2010. The Company previously recorded a $250 thousand litigation contingency in the quarter ended September 30, 2009 and a $250 thousand litigation contingency in the quarter ended June 30, 2008. The Company will appeal the verdict.

In conjunction with the February 2004 purchase of substantially all of Waterlink s operating assets and the stock of Waterlink s U.K. subsidiary, environmental studies were performed on Waterlink s Columbus, Ohio property by environmental consulting firms which provided an identification and characterization of the areas of contamination. In addition, these firms identified alternative methods of remediating the property, identified feasible alternatives and prepared cost evaluations of the various alternatives. The Company concluded from the information in the studies that a loss at this property is probable and recorded the liability as a component of current liabilities at June 30, 2010 and noncurrent other liabilities at December 31, 2009 in the Company s consolidated balance sheet. At June 30, 2010 and December 31, 2009, the balance recorded was $4.0 million. Liability estimates are based on an evaluation of, among other factors, currently available facts, existing technology, presently enacted laws and regulations, and the remediation experience of other companies. The Company has not incurred any environmental remediation expense for the three and six-month periods ended June 30, 2010 and 2009. It is reasonably possible that a change in the estimate of this obligation will occur as remediation preparation and remediation activity commences in the future. The ultimate remediation costs are dependent upon, among other things, the requirements of any state or federal environmental agencies, the remediation methods employed, the final scope of work being determined, and the extent and types of contamination which will not be fully determined until experience is gained through remediation and related activities. The Company plans to have a more definitive environmental assessment performed during the third quarter of 2010 to better understand the extent of contamination and appropriate methodologies for remediation. The Company also plans to begin remediation by the fourth quarter of 2010, with a current estimated completion by the end of the second quarter of 2011. This estimated time frame is based on the Company s current knowledge of the contamination and may change after the more definitive environmental assessment.

On March 8, 2006, the Company and another U.S. producer (the Petitioners) of activated carbon formally requested that the United States Department of Commerce investigate unfair pricing of certain activated carbon imported from the People s Republic of China. The Commerce Department investigated imports of activated carbon from China that is thermally activated using a combination of heat, steam and/or carbon dioxide. Certain types of activated carbon from China, most notably chemically-activated carbon, were not investigated.

On March 2, 2007, the Commerce Department published its final determination (subsequently amended) that all of the subject merchandise from China was being unfairly priced, or dumped, and thus that special additional duties should be imposed to offset the amount of the unfair pricing. The resultant tariff rates ranged from 61.95% ad valorem (i.e., of the entered value of the goods) to 228.11% ad valorem. A formal order imposing these tariffs was published on April 27, 2007. All imports from China remain subject to the order and antidumping tariffs. Importers of subject activated carbon from China are required to make cash deposits of estimated antidumping tariffs at the time the goods are entered into the United States customs territory. Deposits of tariffs are subject to future revision based on retrospective reviews conducted by the Commerce Department.

The Company is both a domestic producer and one of the largest U.S. importers (from its wholly-owned subsidiary Calgon Carbon (Tianjin) Co., Ltd.) of the activated carbon that is subject to this proceeding. As such, the Company s involvement in the Commerce Department s proceedings is both as a domestic producer (a petitioner) and as a foreign exporter (a respondent).

As one of two U.S. producers involved as petitioners in the case, the Company is actively involved in ensuring the Commerce Department obtains the most accurate information from the foreign producers and exporters involved in the review, in order to calculate the most accurate results and margins of dumping for the sales at issue.

As an importer of activated carbon from China and in light of the successful antidumping tariff case, the Company was required to pay deposits of estimated antidumping tariffs at the rate of 84.45% ad valorem to U.S. Customs and Border Protection (Customs) on entries made on or after October 11, 2006 through March 1, 2007. From March 2, 2007 through March 29, 2007 the antidumping rate was 78.89%. From March 30, 2007 through April 8, 2007 the antidumping duty rate was 69.54%. Because of limits on the government s legal authority to impose provisional tariffs prior to issuance of a final determination, entries made between April 9, 2007 and April 19, 2007 were not subject to tariffs. For the period April 20, 2007 through November 10, 2009, deposits have been paid at 69.54%.

Table of Contents

The Company s role as an importer that is required to pay tariffs results in a contingent liability related to the final amount of tariffs that it will ultimately have to pay. The Company has made deposits of estimated tariffs in two ways. First, estimated tariffs on entries in the period from October 11, 2006 through April 8, 2007 were covered by a bond. The total amount of tariffs that can be paid on entries in this period is capped as a matter of law, though the Company may receive a refund with interest of any difference due to a reduction in the actual margin of dumping found in the first review. The Company s estimated liability for tariffs during this period of $0.2 million is reflected in accounts payable and accrued liabilities on the consolidated balance sheet at June 30, 2010. Second, the Company has been required to post cash deposits of estimated tariffs owed on entries of subject merchandise since April 19, 2007. The final amount of tariffs owed on these entries may change, and can either increase or decrease depending on the final results of relevant administrative inquiries. This process is further described below.

The amount of estimated antidumping tariffs payable on goods imported into the United States is subject to review and retroactive adjustment based on the actual amount of dumping that is found. To do this, the Commerce Department conducts periodic reviews of sales made to the first unaffiliated U.S. customer, typically over the prior 12 month period. These reviews will be possible for at least five years, and can result in changes to the antidumping tariff rate (either increasing or reducing the rate) applicable to any given foreign exporter. Revision of tariff rates has two effects. First, it will alter the actual amount of tariffs that Customs will seek to collect for the period reviewed, by either increasing or decreasing the amount to reflect the actual amount of dumping that was found. If the actual amount of tariffs owed increases, the government will require payment of the difference plus interest. Conversely, when the tariff rate decreases, any difference is refunded with interest. Second, the revised rate becomes the cash deposit rate applied to future entries, and can either increase or decrease the amount of deposits an importer will be required to pay.

On November 10, 2009, the Commerce Department announced the results of its review of the tariff period beginning October 2006 through March 31, 2008 (period of review (POR) I). Based on the POR I results, the Company s ongoing tariff deposit rate was adjusted from 69.54% to 14.51% (as adjusted by .07% for certain ministerial errors and published in the Federal Register on December 17, 2009) for entries made subsequent to the announcement. In addition, the Company s assessment rate for POR I was determined to have been too high and, accordingly, the Company reduced its recorded liability for unpaid deposits in POR I and recorded a receivable of $1.6 million reflecting expected refunds for tariff deposits made during POR I as a result of the announced decrease in the POR I tariff assessment rate. Note that the Petitioners have appealed to the U.S. Court of International Trade the Commerce Department s POR I results challenging, among other things, the selection of certain surrogate values and financial information which in-part caused the reduction in the tariff rate. Other appeals were also filed by Chinese respondents seeking changes to the calculations that either do not relate to the Company s tariff rate or would, if applied to the Company, lower its tariff rate. There is no deadline for a final decision regarding these appeals but such appeals typically take at least a year to resolve. The Company will not have final settlement of the amounts it may owe or receive as a result of the final POR I tariff rates until the aforementioned appeals are resolved.

On April 1, 2009, the Commerce Department published a formal notice allowing parties to request a second annual administrative review of the antidumping tariff order covering the period April 1, 2008 through March 31, 2009 (POR II). Requests for review were due no later than April 30, 2009. The Company, in its capacity as a U.S. producer and separately as a Chinese exporter, elected not to participate in this administrative review. By not participating in the review, the Company s tariff deposits made during POR II are final and not subject to further adjustment.

For POR I, the Company estimates that a hypothetical 10% increase or decrease in the final tariff rate compared to the announced rate on November 10, 2009 would result in an additional payment or refund of approximately $0.1 million. As noted above, the Company s tariff deposits made during POR II are fixed and not subject to change. For the period April 1, 2009 through March 31, 2010 (POR III), a hypothetical 10% increase or decrease in the final tariff rate compared to the announced rates in effect for the period would result in an additional payment or refund of $0.1 million based on deposits made during this period.

The contingent liability relating to tariffs paid on imports is somewhat mitigated by two factors. First and foremost, the antidumping tariff order s disciplinary effect on the market encourages the elimination of dumping through fair pricing. Separately, pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (repealed effective Feb. 8, 2006), as an affected domestic producer, the Company is eligible to apply for a distribution of a share of certain tariffs collected on entries of subject merchandise from China from October 11, 2006 to September 30, 2007. In July 2009 and 2008, the Company applied for such distributions. In November 2009 and December 2008, the Company received distributions of approximately $0.8 million and $0.2 million, respectively, which reflected 59.57% of the total amounts then available. The Company anticipates receiving additional amounts in 2010 and future years related to tariffs paid for the period October 11, 2006 through September 30, 2007, though the exact amount is impossible to determine. There were no additional amounts received during the six month period ended June 30, 2010.

On April 1, 2010, the Commerce Department published a formal notice allowing parties to request a third annual administrative review of the antidumping tariff order covering the period April 1, 2009 through March 31, 2010 (POR III). Requests for review were due no later than April 30, 2010. The Company, in its capacity as a U.S. producer and separately as a Chinese exporter, elected not to participate in this administrative review. However, Albemarle Corporation has requested that the Commerce Department review the exports of Calgon Carbon Tianjin claiming standing as a wholesaler of the domestic like product. This claim by Albemarle to have such standing is being appealed by the Company in its capacity as a U.S. producer and separately as a Chinese exporter. The Commerce Department is currently reviewing this appeal claim to determine if Calgon Carbon Tianjin will be reviewed in the third administrative review.

By letter dated January 22, 2007, the Company received from the United States Environmental Protection Agency (EPA), Region 4 a report of a hazardous waste facility inspection performed by the EPA and the Kentucky Department of Environmental Protection (KYDEP) as part of a Multi Media Compliance Evaluation of the Company s Big Sandy Plant in Catlettsburg, Kentucky that was conducted on September 20 and 21, 2005. Accompanying the report was a Notice of Violation (NOV) alleging multiple violations of the Federal Resource Conservation and Recovery Act (RCRA) and corresponding EPA and KYDEP hazardous waste regulations.

The alleged violations mainly concern the hazardous waste spent activated carbon regeneration facility. The Company met with the EPA on April 17, 2007 to discuss the inspection report and alleged violations, and submitted written responses in May and June 2007. In August 2007, the EPA notified the Company that it believes there were still significant violations of RCRA that are unresolved by the information in the Company s responses, without specifying the particular violations. During a meeting with the EPA on December 10, 2007, the EPA indicated that the agency would not pursue certain other alleged violations. Based on discussions during the December 10, 2007 meeting, subsequent communications with the EPA, and in connection with the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) Notice referred to below, the Company has taken actions to address and remediate a number of the unresolved alleged violations. The Company believes, and the EPA has indicated, that the number of unresolved issues as to alleged continuing violations cited in the January 22, 2007 NOV has been reduced substantially. The EPA can take formal enforcement action to require the Company to remediate any or all of the unresolved alleged continuing violations which could require the Company to incur substantial additional costs. The EPA can also take formal enforcement action to impose substantial civil penalties with respect to violations cited in the NOV, including those which have been admitted or resolved. The Company is awaiting further response from the EPA and cannot predict with any certainty the probable outcome of this matter or range of potential loss, if any.

On July 3, 2008, the EPA verbally informed the Company that there are a number of unresolved RCRA violations at the Big Sandy Plant which may render the facility unacceptable to receive spent carbon for reactivation from sites regulated under CERCLA pursuant to the CERCLA Off-Site Rule. The Company received written notice of the unacceptability determination on July 14, 2008 (the CERCLA Notice). The CERCLA Notice alleged multiple violations of RCRA and four releases of hazardous waste. The alleged violations and releases were cited in the September 2005 multi-media compliance inspections, and were among those cited in the January 2007 NOV described in the preceding paragraph as well. The CERCLA Notice gave the Company until September 1, 2008 to demonstrate to the EPA that the alleged violations and releases are not continuing, or else the Big Sandy Plant would not be able to receive spent carbon from CERCLA sites until the EPA determined that the facility is again acceptable to receive such CERCLA wastes. This deadline subsequently was extended several times. The Company met with the EPA in August 2008 regarding the CERCLA Notice and submitted a written response to the CERCLA Notice prior to the meeting. By letter dated February 13, 2009, the EPA informed the Company that based on information submitted by the Company indicating that the Big Sandy Plant has returned to physical compliance for the alleged violations and releases, the EPA had made an affirmative determination of acceptability for receipt of CERCLA wastes at the Big Sandy Plant. The EPA s determination is conditioned upon the Company treating certain residues resulting from the treatment of the carbon reactivation furnace off-gas as hazardous waste and not sending material dredged from the onsite wastewater treatment lagoons offsite other than to a permitted hazardous waste treatment, storage or disposal facility. The Company has requested clarification from the EPA regarding these two conditions. The Company has also met with Headquarters of the EPA Solid Waste Division (Headquarters) on March 6, 2009 and presented its classification argument, with the understanding that Headquarters would advise Region 4 of the EPA. By letter dated January 5, 2010, the EPA determined certain residues resulting from the treatment of the carbon reactivation furnace off-gas are RCRA listed hazardous wastes and the material dredged from the onsite wastewater treatment lagoons is a RCRA listed

Table of Contents

hazardous waste and that they need to be managed in accordance with RCRA regulations. The cost to treat and/or dispose of the material dredged from the lagoons as hazardous waste could be substantial. However, by letter dated January 22, 2010, the Company received a determination from the KYDEP Division of Waste Management that the material is not listed hazardous waste when recycled as had been the Company s practice. The Company believes that pursuant to EPA regulations, KYDEP is the proper authority to make this determination. Thus, the Company believes that there is no basis for the position set forth in the EPA s January 5, 2010 letter and the Company will vigorously defend any complaint on the matter. The Company has had several additional discussions with Region 4 of the EPA. The Company has indicated to the EPA that it is willing to work with the agency toward a solution subject to a comprehensive resolution of all the issues. By letter dated May 12, 2010, from the Department of Justice Environmental and Natural Resourses Division (the DOJ), the Company was informed that the DOJ was prepared to take appropriate enforcement action against the Company for the NOV and other violations under the Clean Water Act (CWA). The Company met with the DOJ on July 9, 2010 and agreed to permit more comprehensive testing of the lagoons and to share data and analysis already obtained. On July 19, 2010, the EPA sent the Company a formal information request with respect to such data and analysis. The Company is gathering the requested information. The Company cannot predict with any certainty the probable outcome of this matter or range of potential loss, if any.

By letter dated August 18, 2008, the Company was notified by the EPA Suspension and Debarment Division (SDD) that because of the alleged violations described in the CERCLA Notice, the SDD was making an assessment of the Company s present responsibility to conduct business with Federal Executive Agencies. Representatives of the SDD attended the August 2008 EPA meeting. On August 28, 2008, the Company received a letter from the Division requesting additional information from the Company in connection with the SDD s evaluation of the Company s potential business risk to the Federal Government, noting that the Company engages in procurement transactions with or funded by the Federal Government. The Company provided the SDD with all information requested by the letter in September 2008. The SDD can suspend or debar a Company from sales to the Federal Government directly or indirectly through government contractors or with respect to projects funded by the Federal Government. The Company estimates that revenue from sales made directly to the Federal Government or indirectly through government contractors comprised less than 8% of its total revenue for the year ended December 31, 2009. The Company is unable to estimate sales made directly or indirectly to customers and or projects that receive federal funding. In October 2008, the SDD indicated that it was still reviewing the matter but that another meeting with the Company was not warranted at that time. The Company believes that there is no basis for suspension or debarment on the basis of the matters asserted by the EPA in the CERCLA Notice or otherwise. The Company has had no further communication with the SDD since October 2008 and believes the likelihood of any action being taken by the SDD is remote.

In June 2007, the Company received a Notice Letter from the New York State Department of Environmental Conservation (NYSDEC) stating that the NYSDEC had determined that the Company is a Potentially Responsible Party (PRP) at the Frontier Chemical Processing Royal Avenue Site in Niagara Falls, New York (the Site). The Notice Letter requests that the Company and other PRP s develop, implement and finance a remedial program for Operable Unit #1 at the Site. Operable Unit #1 consists of overburden soils and overburden and upper bedrock groundwater. The selected remedy is removal of above grade structures and contaminated soil source areas, installation of a cover system, and ground water control and treatment, estimated to cost between approximately $11 million and $14 million, which would be shared among the PRP s. The Company has not determined what portion of the costs associated with the remedial program it would be obligated to bear and the Company cannot predict with any certainty the outcome of this matter or range of potential loss. The Company has joined a PRP group (the PRP Group) and has executed a Joint Defense Agreement with the group members. In August 2008, the Company and over 100 PRP s entered into a Consent Order with the NYSDEC for additional site investigation directed toward characterization of the Site to better define the scope of the remedial project. The Company contributed monies to the PRP Group to help fund the work required under the Consent Order. The additional site investigation required under the Consent Order was initiated in 2008 and completed in the spring of 2009. A final report of the site investigation was submitted to NYSDEC in October 2009. By letter dated December 31, 2009, NYSDEC disapproved the report. The bases for disapproval include concerns regarding proposed alternate soil cleanup objectives, questions regarding soil treatability studies and questions regarding ground water contamination. PRP Group representatives met several times with NYSDEC regarding revising the soil cleanup objectives set forth in the Record of Decision to be consistent with recently revised regulations. NYSDEC does not agree that the revised regulation applies to this site but requested additional information to support the PRP Group s position. The PRP Group s consultant did additional cost-benefit analyses and further soil sampling. The results were provided to NYSDEC but they remain unwilling to revise the soil standards. Additionally, NYSDEC indicated that because the site is a former RCRA facility, soil excavated at the site would be deemed hazardous waste and would require offsite disposal. Conestoga Rovers Associates, the PRP Group s consultant, estimates the soil remedy cost would increase from about $3.2 million to $4.9 to $6.1 million if all excavated soil had to be disposed offsite. Also, PRP Group Representatives met with the Niagara Falls Water Board (NFWB) regarding continued use of the NFWB s sewers and wastewater treatment plant to collect and treat contaminated ground water from the site. This would provide considerable cost savings over having to install a separate ground water collection and treatment system. The Board was receptive to the PRP Group s proposal and work is progressing on a draft permit. In addition, the adjacent landowner has expressed interest in acquiring the site for expansion of its business.

By letter dated July 3, 2007, the Company received an NOV from the KYDEP alleging that the Company has violated the KYDEP s hazardous waste management regulations in connection with the Company s hazardous waste spent activated carbon regeneration facility located at the Big Sandy Plant in Catlettsburg, Kentucky. The NOV alleges that the Company has failed to correct deficiencies identified by the KYDEP in the Company s Part B hazardous waste management facility permit application and related documents and directed the Company to submit a complete and accurate Part B application and related documents and to respond to the KYDEP s comments which were appended to the NOV. The Company submitted a response to the NOV and the KYDEP s comments in December 2007 by providing a complete revised permit application. The KYDEP has not indicated whether or not it will take formal enforcement action, and has not specified a monetary amount of civil penalties it might pursue in any such action, if any. The KYDEP can also deny the Part B operating permit. On October 18, 2007, the Company received an NOV from the EPA related to this permit application and submitted a revised application to both the KYDEP and the EPA within the mandated timeframe. The EPA has not indicated whether or not it will take formal enforcement action, and has not specified a monetary amount of civil penalties it might pursue in any such action. The Company met with the KYDEP on July 27, 2009 concerning the permit, and the KYDEP indicated that it, and Region 4 of the EPA, would like to see specific additional information or clarifications in the permit application. Accordingly, the Company submitted a new application on October 15, 2009. The KYDEP indicated that it had no intention to deny the permit as long as the Company worked with the state to resolve issues. The Region 4 of the EPA has not indicated any stance on the permit and can deny the application. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

In 2002, the Company was sued by For Your Ease Only (FYEO). The case has been stayed since 2003. The case arises out of the Company s patent covering anti-tarnish jewelry boxes, U.S. Patent No. 6,412,628 (the 628 Patent). FYEO and the Company are competitors in the sale of jewelry boxes through a common retailer. In 2002, the Company asserted to the retailer that FYEO s jewelry box infringed the 628 Patent. FYEO filed suit in the U.S. District Court for the Northern District of Illinois for a declaration that the patent was invalid and not infringed, and claiming that the Company had tortuously interfered with its relationship with the retailer. The Company defended the suit until December 2003, when the case was stayed pending a re-examination of the 628 Patent in the Patent and Trademark Office. That patent was re-examined and certain claims of that patent were rejected by order dated February 25, 2008. The Company appealed, but the re-examination was affirmed by the Court of Appeals for the Federal Circuit. The Patent Trademark Office issued a re-examination certificate on August 25, 2009. The parties have resumed discovery and the stay on litigation has been lifted. The Company will assert that, notwithstanding the rejection of certain claims in the 628 Patent, the Company had a good-faith belief that its patent was valid and that FYEO s product infringed, and that such belief insulates the Company from liability for publicizing its patent. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

Calgon Carbon Japan KK f/k/a Calgon Mitsubishi Chemical Corporation (CCJ) sold carbon, which it purchased from a third-party supplier, for a DeSOX and DeNOX application to Sumitomo Heavy Industries, Ltd. (Sumitomo) which in turn sold it to Kobe Steel, Ltd. (Kobe Steel). The Kobe Steel purchase order sets forth certain quality standards with respect to the activated carbon, particularly with respect to the quality of repeated use for DeSOX and DeNOX. Testing has shown that the activated carbon provided by CCJ to Sumitomo for use by Kobe Steel did not meet the quality requirements as set forth in the purchase order. At that time Kobe Steel notified Sumitomo with regard to a potential claim for defective products. Sumitomo in turn notified CCJ. Kobe Steel is demanding that CCJ replace all the carbon that was delivered. CCJ believes that the quality issues can be met in less costly ways by the introduction of an additive. Alternatively, CCJ believes that less than all the carbon should be replaced. The parties are continuing to negotiate a solution. Mitsubishi Chemical Company (MCC) has agreed to indemnify CCJ for 51% of any loss it may suffer for the matter. At this time the Company cannot predict with any certainty the outcomes of this matter or a range of loss, if any.

Table of Contents

In addition to the matters described above, the Company is involved in various other legal proceedings, lawsuits and claims, including employment, product warranty and environmental matters of a nature considered normal to its business. It is the Company s policy to accrue for amounts related to these legal matters when it is probable that a liability has been incurred and the loss amount is reasonably estimable. Management believes that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the consolidated financial position or liquidity of the Company, but an adverse outcome could be material to the results of operations in a particular period in which a liability is recognized.

9. Goodwill & Intangible Assets

The Company has elected to perform the annual impairment test of its goodwill on December 31 of each year. For purposes of the test, the Company has identified reporting units at a regional level for the Activated Carbon and Service segment and at the technology level for the Equipment segment and has allocated goodwill to these reporting units accordingly. The goodwill associated with the Consumer segment is not material and has not been allocated below the segment level.

The changes in the carrying amounts of goodwill by segment for the six month period ended June 30, 2010 are as follows:

	Activated Carbon & Service Segment	Equipment Segment	Consumer Segment	Total
Balance as of January 1, 2010	$ 20,305	$ 6,569	$ 60	$ 26,934
Foreign exchange	(260)	(27)		(287)
Balance as of June 30, 2010	$ 20,045	$ 6,542	$ 60	$ 26,647

The following is a summary of the Company s identifiable intangible assets as of June 30, 2010 and December 31, 2009 respectively:

	June 30, 2010				
	Weighted Average Amortization Period	Gross Carrying Amount	Foreign Exchange	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets:					
Patents	15.4 Years	$ 1,369	$	$ (1,088)	$ 281
Customer Relationships	16.2 Years	10,715	(249)	(6,785)	3,681
Product Certification	5.4 Years	5,327		(1,614)	3,713
Unpatented Technology	20.0 Years	2,875		(1,766)	1,109
Licenses	20.0 Years	974			974
Total	14.1 Years	$ 21,260	$ (249)	$ (11,253)	$ 9,758

	December 31, 2009				
	Weighted Average Amortization Period	Gross Carrying Amount	Foreign Exchange	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets:					
Patents	15.4 Years	$ 1,369	$	$ (1,047)	$ 322

Customer Relationships	17.0 Years	9,323	(182)	(6,399)	2,742
Product Certification	7.9 Years	1,682		(1,192)	490
Unpatented Technology	20.0 Years	2,875		(1,685)	1,190
Total	16.0 Years	$ 15,249	$ (182)	$ (10,323)	$ 4,744

24

Table of Contents

For the three and six months ended June 30, 2010, the Company recognized $0.5 million and $0.9 million, respectively, of amortization expense related to intangible assets. For the three and six months ended June 30, 2009, the Company recognized $0.3 million and $0.6 million, respectively, of amortization expense related to intangible assets. The Company estimates amortization expense to be recognized during the next five years as follows:

(Thousands)	
For the year ending December 31:	
2010	$1,930
2011	1,691
2012	1,501
2013	1,426
2014	1,326

10. Borrowing Arrangements

	June 30, 2010	December 31, 2009
Short-Term Debt		
Borrowings under Japanese loan agreements	**$ 16,156**	$
Long-Term Debt		
Borrowings under Japanese loan agreement	**7,477**	
Less current portion of long-term debt	**(2,711)**	
Net	**$ 4,766**	$

5.00% Convertible Senior Notes due 2036

On August 18, 2006, the Company issued $75.0 million in aggregate principal amount of 5.00% Notes due in 2036 (the Notes). The Notes accrued interest at the rate of 5.00% per annum which was payable in cash semi-annually in arrears on each February 15 and August 15, which commenced February 15, 2007. The Notes were eligible to be converted under certain circumstances. As of December 31, 2009, all Notes have been converted.

Effective January 1, 2009, the Company implemented guidance within Accounting Standards Codification (ASC) 470-20 Debt with Conversion and Other Options. This new guidance required the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer s nonconvertible debt borrowing rate. This new accounting method has been applied retrospectively to all periods presented with an impact to retained earnings of $9.2 million as of January 1, 2009.

Table of Contents

In accordance with guidance within ASC 470-20, the debt discount of $21.9 million was being amortized over the period from August 18, 2006 (the issuance date) to June 15, 2011 (the first put date on the Notes). The effective interest rate for all periods on the liability component was approximately 13.8%. The Company also incurred original issuance costs of $0.4 million which had been deferred and were being amortized over the same period as the discount. For the three and six months ended June 30, 2009, the Company recorded interest expense of $0.2 million and $0.3 million related to the Notes, of which $0.1 million and $0.2 million related to the amortization of the discount and $0.1 million and $0.1 million related to contractual coupon interest, respectively.

Credit Facility

On August 14, 2008, the Company entered into a third amendment (the Third Amendment) to its Credit Facility (the Prior Credit Facility). The Third Amendment permitted borrowings in an amount up to $60.0 million and included a separate U.K. sub-facility and a separate Belgian sub-facility. The Prior Credit Facility permitted the total revolving credit commitment to be increased up to $75.0 million. The facility was scheduled to mature on May 15, 2011. Availability for domestic borrowings under the Prior Credit Facility was based upon the value of eligible inventory, accounts receivable and property, plant and equipment, with separate borrowing bases to be established for foreign borrowings under a separate U.K. sub-facility and a separate Belgian sub-facility. Availability under the Prior Credit Facility was conditioned upon various customary conditions.

On May 8, 2009, the Company and certain of its domestic subsidiaries entered into a Credit Agreement (the Credit Agreement) that replaced the Company s Prior Credit Facility. Concurrent with the closing under the Credit Agreement, the Company terminated and paid in full its obligations under the Prior Credit Facility. The Company provided cash collateral to the former agent bank for the remaining exposure related to outstanding letters of credit and certain derivative obligations. The cash collateral is shown as restricted cash within the consolidated balance sheets as of June 30, 2010 and December 31, 2009. The Company was in compliance with all applicable financial covenants and other restrictions under the Prior Credit Facility as of the effective date of its termination and in May 2009, wrote off deferred costs of approximately $0.8 million, pre-tax, related to the Prior Credit Facility.

The Credit Agreement provides for an initial $95.0 million revolving credit facility (the Revolving Credit Facility) which expires on May 8, 2014. So long as no event of default has occurred and is continuing, the Company from time to time may request one or more increases in the total revolving credit commitment under the Revolving Credit Facility of up to $30.0 million in the aggregate. No assurance can be given, however, that the total revolving credit commitment will be increased above $95.0 million. Availability under the Revolving Credit Facility is conditioned upon various customary conditions. A quarterly nonrefundable commitment fee is payable by the Company based on the unused availability under the Revolving Credit Facility and is currently equal to 0.25%. Any outstanding borrowings under the Revolving Credit Facility on July 2, 2012, up to $50.0 million, automatically convert to a term loan maturing on May 8, 2014 (the Term Loan), with the total revolving credit commitment under the Revolving Credit Facility being reduced at that time by the amount of the Term Loan. Total availability under the Revolving Credit Facility at June 30, 2010 was $92.0 million, after considering outstanding letters of credit.

On November 30, 2009, the Company entered into a First Amendment to the Credit Agreement (the First Amendment). The First Amendment relaxes certain restrictions contained in the Credit Agreement so as to permit the Company to form subsidiaries in connection with future acquisitions or for corporate planning purposes; to permit increased capital expenditures; to increase the amount of cash that may be down-streamed to non-domestic subsidiaries; to permit the issuance of up to $8.0 million of letters of credit outside the Credit Agreement; to increase the amount of indebtedness the Company may obtain outside of the Credit Agreement; to permit the pledging of foreign assets to secure certain foreign debt; and to permit the purchase of 51% of Calgon Mitsubishi Chemical Corporation (CMCC) not already owned by the Company, including funding that transaction with foreign debt.

The interest rate on amounts owed under the Term Loan and the Revolving Credit Facility will be, at the Company s option, either (i) a fluctuating base rate based on the highest of (A) the prime rate announced from time to time by the lenders, (B) the rate announced by the Federal Reserve Bank of New York on that day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day plus 3.00% or (C) a daily LIBOR rate plus 2.75%, or (ii) LIBOR-based borrowings in one to six month increments at the applicable LIBOR rate plus 2.50%. A margin may be added to the applicable interest rate based on the Company s leverage ratio as set forth in the First Amendment. The interest rate per annum as of June 30, 2010 using option (i) above would have been 3.25% if any borrowings were outstanding.

The Company incurred issuance costs of $1.0 million which were deferred and are being amortized over the term of the Credit Agreement. As of June 30, 2010 and December 31, 2009, respectively, there were no outstanding borrowings under the Revolving Credit Facility.

Certain of the Company s domestic subsidiaries unconditionally guarantee all indebtedness and obligations related to borrowings under the Credit Agreement. The Company s obligations under the Revolving Credit Facility are secured by a first perfected security interest in certain of the domestic assets of the Company and the subsidiary guarantors, including certain real property, inventory, accounts receivable, equipment and capital stock of certain of the Company s domestic subsidiaries.

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to indebtedness, liens, investments, capital expenditures, mergers and acquisitions, dispositions of assets and transactions with affiliates. The Credit Agreement also provides for customary events of default, including failure to pay principal or interest when due, failure to comply with covenants, the fact that any representation or warranty made by the Company is false or misleading in any material respect, certain insolvency or receivership events affecting the Company and its subsidiaries and a change in control of the Company. If an event of default occurs, the lenders will be under no further obligation to make loans or issue letters of credit. Upon the occurrence of certain events of default, all outstanding obligations of the Company automatically become immediately due and payable, and other events of default will allow the lenders to declare all or any portion of the outstanding obligations of the Company to be immediately due and payable. The Credit Agreement also contains a covenant which includes limitations on its ability to declare or pay cash dividends, subject to certain exceptions, such as dividends declared and paid by its subsidiaries and cash dividends paid by the Company in an amount not to exceed 50% of cumulative net after tax earnings following the closing date of the agreement if certain conditions are met. The Company was in compliance with all such covenants as of June 30, 2010.

Industrial Revenue Bonds

The Mississippi Industrial Revenue Bonds totaling $2.9 million at December 31, 2008, bore interest at a variable rate, matured in April 2009, and were retired. These bonds were issued to finance certain equipment acquisitions at the Company s Pearlington, Mississippi plant.

Belgian Loan and Credit Facility

On November 30, 2009, the Company entered into a Loan Agreement (the Belgian Loan) in order to help finance expansion of the Company s Feluy, Belgium facility. The Belgian Loan provides total borrowings up to 6.0 million Euro, which can be drawn on in 120 thousand Euro bond installments at 25% of the total amount invested in the expansion. The maturity date is seven years from the date of the first draw down which has yet to occur. The Belgian Loan is guaranteed by a mortgage mandate on the Feluy site and is subject to customary reporting requirements, though no financial covenants exist and the Company had no outstanding borrowings under the Belgian Loan as of June 30, 2010 and December 31, 2009, respectively.

The Company also maintains a Belgian credit facility totaling 1.5 million Euro which is secured by cash collateral of 750 thousand Euro. The cash collateral is shown as restricted cash within the consolidated balance sheet as of June 30, 2010. There are no financial covenants, and the Company had no outstanding borrowings under the Belgian credit facility as of June 30, 2010 and December 31, 2009, respectively. Bank guarantees of 1.0 million Euros were issued as of June 30, 2010.

United Kingdom Credit Facility

The Company maintains a United Kingdom unsecured credit facility for the issuance of various letters of credit and guarantees totaling 0.6 million British Pounds Sterling. Bank guarantees of 0.4 million British Pounds Sterling were issued as of June 30, 2010.

Chinese Credit Facility

The Company previously maintained a Chinese credit facility totaling 11.0 million RMB or $1.6 million which was secured by a U.S. letter of credit. The credit facility was fully repaid in June 2009 and was closed.

Japanese Loans and Credit Facility

On March 31, 2010, the Company entered into a Revolving Credit Facility Agreement (the Japanese Credit Facility) totaling 2.0 billion Japanese Yen in order to partially finance the purchase of CCJ. This credit facility is unsecured and matures on March 31, 2011. Calgon Carbon Corporation provided a formal guarantee for up to eighty percent (80%) of all of the indebtedness of CCJ in its capacity as the borrower under the Japanese Credit Facility. The interest rate on amounts owed under the Japanese Credit Facility is based on a three-month Tokyo

Interbank Offered Rate (TIBOR) plus 0.675%. The interest rate per annum as of June 30, 2010 was 1.065%. Total borrowings outstanding under the Japanese Credit Facility were 1.43 billion Japanese Yen or $16.2 million at June 30, 2010 and are shown as short- term debt within the consolidated balance sheet presented.

The Company also entered into two other borrowing arrangements as part of the purchase of CCJ on March 31, 2010, a Term Loan Agreement (the Japanese Term Loan), and a Working Capital Loan Agreement (the Japanese Working Capital Loan). Calgon Carbon Corporation is jointly and severally liable as the guarantor of CCJ s obligations and the Company permitted CCJ to grant a security interest and continuing lien in certain of its assets, including inventory and accounts receivable, to secure its obligations under both loan agreements. The Japanese Term Loan provided for a principal amount of 722.0 million Japanese Yen, or $7.7 million at March 31, 2010. This loan matures on March 31, 2013, bears interest at 1.975% per annum, and is payable in monthly installments of 20.0 million Japanese Yen beginning on April 30, 2010, with a final payment of 22.0 million Japanese Yen. Accordingly, 240.0 million Japanese Yen or $2.7 million is recorded as current and 422.0 million Japanese Yen or $4.8 million is recorded as long-term debt within the consolidated balance sheet at June 30, 2010. The Japanese Working Capital Loan provides for borrowings up to 1.5 billion Japanese Yen and bears interest based on a daily short-term prime rate fixed on the day a borrowing takes place, which was 1.475% per annum at June 30, 2010. This loan matures on March 31, 2011 and is renewable annually for a nominal fee. There were no borrowings outstanding under the Japanese Working Capital Loan at June 30, 2010.

Fair Value of Debt

At June 30, 2010, the Company had $23.6 million of borrowings under various Japanese credit agreements described above. The recorded amounts are based on prime rates, and accordingly, the carrying value of these obligations approximate their fair value.

Maturities of Debt

The Company is obligated to make principal payments on debt outstanding at June 30, 2010 of $1.4 million in 2010, $18.9 million in 2011, $2.7 million in 2012, and $0.7 million in 2013.

Interest Expense

The Company s interest expense for the three months ended June 30, 2010 and 2009 totaled $0.1 million and $0.2 million, respectively, and for the six months ended June 30, 2010 and 2009 totaled $0.1 million and $0.2 million, respectively. These amounts are net of interest costs capitalized of $22 thousand and $0.2 million for the three months ended June 30, 2010 and 2009, respectively, and $41 thousand and $0.3 million for the six months ended June 30, 2010 and 2009, respectively.

Table of Contents

11. Pensions

U.S. Plans:

For U.S. plans, the following table provides the components of net periodic pension costs of the plans for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30		Six Months Ended June 30	
Pension Benefits (in thousands)	2010	2009	2010	2009
Service cost	$ 211	$ 187	$ 434	$ 384
Interest cost	1,201	1,157	2,442	2,370
Expected return on plan assets	(1,562)	(872)	(2,846)	(1,785)
Amortization of prior service cost	29	27	58	78
Net actuarial loss amortization	302	457	702	969
Net periodic pension cost	$ 181	$ 956	$ 790	$ 2,016

The expected long-term rate of return on plan assets is 8.00% in 2010.

In June 2010, the Company successfully negotiated the terms and conditions of a new three-year collective bargaining agreement at its Catlettsburg, Kentucky facility. As a result, the Company has frozen the related defined benefit plan to new entrants and an early retirement option was made available to certain eligible employees. Those electing the early retirement option would receive a one-time lump sum cash payment of $30,000.

Employer Contributions

In its 2009 financial statements, the Company disclosed that it expected to contribute $1.6 million to its U.S. pension plans in 2010. As of June 30, 2010, the Company has contributed the $1.6 million as well as an additional $5.6 million. In July 2010, the Company contributed an additional $1.8 million.

European Plans:

For European plans, the following table provides the components of net periodic pension costs of the plans for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30		Six Months Ended June 30	
Pension Benefits (in thousands)	2010	2009	2010	2009
Service cost	$ 136	$ 122	$ 272	$ 244
Interest cost	484	407	968	814
Expected return on plan assets	(343)	(269)	(686)	(538)
Amortization of prior service cost	3	10	6	20
Net actuarial loss amortization	37	27	74	54
Foreign currency exchange	19	74	10	80
Net periodic pension cost	$ 336	$ 371	$ 644	$ 674

The expected long-term rate of return on plan assets ranges from 5.00% to 6.90% in 2010.

Table of Contents

Employer Contributions

In its 2009 financial statements, the Company disclosed that it expected to contribute $1.8 million to its European pension plans in 2010. As of June 30, 2010, the Company contributed $0.4 million. The Company expects to contribute the remaining $1.4 million over the remainder of the year.

Defined Contribution Plans:

The Company also sponsors a defined contribution pension plan for certain U.S. employees that permits employee contributions of up to 50% of eligible compensation in accordance with Internal Revenue Service guidance. Under this defined contribution plan, the Company makes a fixed contribution of 2% of eligible employee compensation on a quarterly basis and matches contributions made by each participant in an amount equal to 100% of the employee contribution up to a maximum of 2% of employee compensation. In addition, each of these employees is eligible for an additional discretionary Company contribution of up to 4% of employee compensation based upon annual Company performance at the discretion of the Company s Board of Directors. Employer matching contributions for non-represented employees vest immediately. Employer fixed and discretionary contributions vest after two years of service. For bargaining unit employees at the Catlettsburg, Kentucky facility, the Company contributes a maximum of $25.00 per month to the plan. As of June 8, 2010, under the facility s new collective bargaining agreement, current employees have the option of remaining in the defined benefit plan or converting to an enhanced defined contribution plan. The election to convert will freeze the defined benefit calculation as of such date and employees who elect to freeze their defined benefit will be eligible to receive a Company contribution to the enhanced defined contribution plan of $1.15 per actual hour worked as well as for other related hours paid but not worked. The Company will then make additional lump sum contributions to employees that have converted of $5,000 per year on the next three anniversary dates of the voluntary conversion to the enhanced defined contribution plan. As a result, employees that have converted will be excluded from the aforementioned $25.00 match. For bargaining unit employees hired after June 8, 2010, and for employees voluntarily converting to the enhanced defined contribution plan, the Company contributes $1.15 per actual hour worked, as well as for other related hours paid but not worked, for eligible employees. For bargaining unit employees at the Columbus, Ohio facility, the Company makes contributions to the USW 401(k) Plan of $1.15 per actual hour worked for eligible employees. For bargaining unit employees at the Neville Island, Pennsylvania facility, the Company, effective January 1, 2009, began making contributions of $1.40 per actual hour worked to the defined contribution pension plan (Thrift/Savings Plan) for eligible employees when their defined benefit pension plan was frozen. Employer matching contributions for bargaining unit employees vest immediately. Total expenses related to the defined contribution plans were $0.2 million and $0.7 million for the three and six months ended June 30, 2010, respectively, and $0.2 million and $0.8 million for the three and six months ended June 30, 2009, respectively.

Table of Contents

12. Earnings Per Share

Computation of basic and diluted net income per common share is performed as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net income available to common shareholders	$ 2,916	$ 6,098	$ 12,845	$ 12,072
Weighted Average Shares Outstanding				
Basic	55,829,588	54,331,467	55,769,509	54,224,885
Effect of Dilutive Securities	918,866	1,953,847	967,385	1,957,853
Diluted	56,748,454	56,285,314	56,736,894	56,182,738
Net income per common share				
Basic	$ .05	$ .11	$ .23	$ .22
Diluted	$ .05	$ .11	$ .23	$ .21

The stock options that were excluded from the dilutive calculations as the effect would have been antidilutive were 228,358 and 169,425 for the three months ended June 30, 2010 and 2009, respectively, and 145,358 and 169,425 for the six months ended June 30, 2010 and 2009, respectively.

13. Related Party Transactions

Net sales to related parties primarily reflect sales of activated carbon products to equity investees. On March 31, 2010, the Company acquired an additional interest in its Japanese joint venture thereby increasing its ownership percentage from 49% to 80% (Refer to Note 1). As a result of this transaction, the joint venture is reflected on a consolidated basis within the Company s financial statements. Accordingly, there were no related party sales transactions for the three months ended June 30, 2010. Related party sales transactions were $4.4 million for the three months ended June 30, 2009, and $3.4 million and $9.1 million for the six months ended June 30, 2010 and 2009, respectively. The Company s equity investees are included in the Activated Carbon and Service segment.

14. Income Taxes

Unrecognized Income Tax Benefits

As of June 30, 2010 and December 31, 2009, the Company s gross unrecognized income tax benefits were $11.5 million and $11.7 million, respectively. If recognized, $6.6 million and $6.5 million of the gross unrecognized tax benefits would impact the effective tax rate at June 30, 2010 and December 31, 2009, respectively. The Company estimates that approximately $0.8 million of unrecognized tax benefits will be realized in the next twelve months as a result of the expiration of statute limitations in various tax jurisdictions.

15. Subsequent Events

On July 29, 2010, the Company received an adverse verdict from the United States District Court for the Western District of Pennsylvania in Calgon Carbon Corp. v. ADA-ES, Inc. The jury awarded ADA-ES $12.0 million consisting of $3.0 million for past and $9.0 million for future damages (Refer to Note 8).

Item 2. Management s Discussion and Analysis of Results of Operations and Financial Condition

This discussion should be read in connection with the information contained in the Unaudited Condensed Consolidated Financial Statements and Notes to the Unaudited Condensed Financial Statements.

Results of Operations

Consolidated net sales increased by $20.5 million or 19.9% and $32.8 million or 16.9% for the quarter and year-to-date periods ended June 30, 2010, respectively, versus the quarter and year to date periods ended June 30, 2009. The impact of foreign currency translation on consolidated net sales was ($1.4) million and $0.7 million for the quarter and year-to-date periods ended June 30, 2010 versus the comparable 2009 periods.

Net sales for the quarter and year-to-date periods ended June 30, 2010 for the Activated Carbon and Service segment increased $21.0 million or 23.5% and $33.7 million or 20.2%, respectively, versus the similar 2009 periods. The acquisitions completed in the first quarter of 2010 had an impact of $8.9 million and $7.8 million, respectively, on the quarter and year-to-date periods ended June 30, 2010, versus the comparable periods in 2009. The remaining increase for both the quarter and year-to-date periods was primarily due to higher demand for certain activated carbon and service products in the Potable Water and Environmental Air Treatment markets. Net sales for the Equipment segment for the quarter ended June 30, 2010 were comparable to the similar 2009 period and declined $0.9 million or 4.2% for the year-to-date period ended June 30, 2010 primarily due to lower revenues for ion exchange systems. Net sales for the Consumer segment for the quarter ended June 30, 2010 declined $0.3 million or 13.3% versus the comparable 2009 period principally due to lower demand for activated carbon cloth. However, net sales for the year-to-date period ended June 30, 2010 were comparable to the similar 2009 period.

Net sales less cost of products sold, as a percentage of net sales, was 34.8% for the quarter ended June 30, 2010 as compared to 31.8% for the similar 2009 period, an increase of 3 percentage points or $10.3 million. Net sales less cost of products sold, as a percentage of net sales, was 35.4% for the year-to-date period ended June 30, 2010 as compared to 32.1% for the similar 2009 period, an increase of 3.3 percentage points or $18.0 million. The increase for both the quarter and year-to-date periods was primarily in the Activated Carbon and Service segment as a result of the aforementioned increase in demand for certain activated carbon and service products. The Equipment and Consumer segments were comparable for the quarter and year-to-date periods ended June 30, 2010. The Company s cost of products sold excludes depreciation therefore it may not be comparable to that of other companies.

Depreciation and amortization increased $1.3 million and $2.6 million, respectively, during the quarter and year-to-date periods ended June 30, 2010 versus the similar 2009 periods and was primarily due to increased depreciation related to the significant capital projects at the Catlettsburg, Kentucky facility that were placed into service during 2009.

Table of Contents

Selling, general and administrative expenses increased $2.6 million and $5.0 million, respectively, for the quarter and year-to-date periods ended June 30, 2010 versus the comparable 2009 periods. The increase for both periods includes acquisition related costs of $3.6 million and $3.8 million, respectively, for the quarter and year-to-date periods ended June 30, 2010. Partially offsetting the acquisition related costs for the quarter was the favorable impact of foreign exchange.

Research and development expenses increased $0.8 million and $1.3 million, respectively, for the quarter and year-to-date periods ended June 30, 2010 as compared to the 2009 periods. The aforementioned acquisitions had a $0.3 million effect on both the quarter and year-to-date periods. Also contributing to the increase for the 2010 periods was increased outside testing related to mercury removal from flue gas.

The Company recorded a litigation contingency of $11.5 million for the quarter ended June 30, 2010 as a result of the adverse verdict related to the ADA-ES, Inc. matter. The Company previously recorded a $250 thousand litigation contingency in the quarter ended September 30, 2009 and a $250 thousand litigation contingency in the quarter ended June 30, 2008. The Company intends to appeal (Refer to Note 8 to the Condensed Consolidated Financial Statements included in Item 1).

As a result of the acquisitions of Zwicky, Hyde, and an additional interest in its Japanese joint venture which are more fully described within Note 1 to the Condensed Consolidated Financial Statements included in Item 1, the Company recorded a gain of $3.1 million during the year-to-date period ended June 30, 2010. This includes a $0.9 million retrospective adjustment to the quarter ended March 31, 2010 results to reflect certain purchase accounting adjustments made during the quarter ended June 30, 2010.

Other expense for the quarter and year-to-date periods ended June 30, 2010 decreased $1.3 million and $1.5 million, respectively, as compared to the similar 2009 periods. The decrease for both periods is primarily due to the write-off of $0.8 million of financing fees related to the Company s Prior Credit Facility which occurred during the quarter ended June 30, 2009. Also contributing to the decrease was the positive impact of foreign exchange of $0.6 million and $0.8 million, respectively, for the quarter and year-to-date periods ended June 30, 2010 as compared to the similar 2009 periods.

Interest income for the quarter and year-to-date periods ended June 30, 2010 was comparable to the similar 2009 periods.

The income tax provision decreased $1.7 million and increased $0.7 million, respectively, for the quarter and year-to-date periods ended June 30, 2010 versus the similar 2009 periods. The decrease in the tax provision was primarily due to the decrease in income from operations before income tax and equity in income from equity investments of $4.5 million for the three months ended June 30, 2010. The year-to-date tax provision increased over the prior year-to-date period primarily due to the increase in income from operations before income tax and equity in income from equity investments of $2.2 million.

Table of Contents

The effective tax rate for the year-to-date period ended June 30, 2010 was 34.3% compared to 34.8% for the year-to-date period ended June 30, 2009. The year-to-date period ended June 30, 2010 tax rate was lower than the federal statutory income tax rate primarily due to permanent deductions on qualified manufacturing income. The year-to-date period ended June 30, 2009 tax rate was lower than the statutory federal income tax rate due to the effective settlement of uncertain tax positions upon completion of a tax audit which lowered the tax rate by 2.8%. These effective tax rate decreases more than offset increases resulting from permanent items, state income taxes, and revisions to the Company s annualized estimate of pre-tax earnings by jurisdiction.

During the preparation of its effective tax rate, the Company uses an annualized estimate of pre-tax earnings. Throughout the year this annualized estimate may change based on actual results and annual earnings estimate revisions in various tax jurisdictions. Because the Company s permanent tax benefits are relatively constant, changes in the annualized estimate may have a significant impact on the effective tax rate in future periods.

The Company provides an estimate for income taxes based on an evaluation of the underlying accounts, its tax filing positions and interpretations of existing law. Changes in estimates are reflected in the year of settlement or expiration of the statute of limitations. Under ASC 740, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

Equity in income from equity investments for the quarter and year-to-date periods ended June 30, 2010 decreased $0.4 million and $0.8 million, respectively, due principally to the first quarter acquisition of a controlling interest in the Company s joint venture in Japan whereby its financial results have been incorporated on a consolidated basis (Refer to Note 1 to the Condensed Consolidated Financial Statements included in Item 1).

Financial Condition

Working Capital and Liquidity

Cash flows provided by operating activities were $22.3 million for the period ended June 30, 2010 compared to $29.6 million for the comparable 2009 period. The $7.3 million decrease is primarily due to increased pension contributions of $6.8 million.

The Company recorded purchase of businesses, net of cash, of $2.1 million related to the acquisitions made during the period ended March 31, 2010 (Refer to Note 1 to the Condensed Consolidated Financial Statements included in Item 1).

Common stock dividends were not paid during the quarter and year-to-date periods ended June 30, 2010 and 2009, respectively.

Table of Contents

Total debt at June 30, 2010 was $23.6 million and zero at December 31, 2009. The entire balance at June 30, 2010 relates to the addition of the Japanese Loans and Credit Facility which are a result of the increase in ownership of its joint venture in Japan (Refer to Notes 1 and 10 to the Condensed Consolidated Financial Statements included in Item 1).

5.00% Convertible Senior Notes due 2036

On August 18, 2006, the Company issued $75.0 million in aggregate principal amount of 5.00% Notes due in 2036 (the Notes). The Notes accrued interest at the rate of 5.00% per annum which was payable in cash semi-annually in arrears on each February 15 and August 15, which commenced February 15, 2007. The Notes were eligible to be converted under certain circumstances. As of December 31, 2009, all Notes have been converted.

Effective January 1, 2009, the Company implemented guidance within Accounting Standards Codification (ASC) 470-20 Debt with Conversion and Other Options. This new guidance required the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer s nonconvertible debt borrowing rate. This new accounting method has been applied retrospectively to all periods presented with an impact to retained earnings of $9.2 million as of January 1, 2009.

In accordance with guidance within ASC 470-20, the debt discount of $21.9 million was being amortized over the period from August 18, 2006 (the issuance date) to June 15, 2011 (the first put date on the Notes). The effective interest rate for all periods on the liability component was approximately 13.8%. The Company also incurred original issuance costs of $0.4 million which had been deferred and were being amortized over the same period as the discount. For the three and six months ended June 30, 2009, the Company recorded interest expense of $0.2 million and $0.3 million related to the Notes, of which $0.1 million and $0.2 million related to the amortization of the discount and $0.1 million and $0.1 million related to contractual coupon interest, respectively.

Credit Facility

On August 14, 2008, the Company entered into a third amendment (the Third Amendment) to its Credit Facility (the Prior Credit Facility). The Third Amendment permitted borrowings in an amount up to $60.0 million and included a separate U.K. sub-facility and a separate Belgian sub-facility. The Prior Credit Facility permitted the total revolving credit commitment to be increased up to $75.0 million. The facility was scheduled to mature on May 15, 2011. Availability for domestic borrowings under the Prior Credit Facility was based upon the value of eligible inventory, accounts receivable and property, plant and equipment, with separate borrowing bases to be established for foreign borrowings under a separate U.K. sub-facility and a separate Belgian sub-facility. Availability under the Prior Credit Facility was conditioned upon various customary conditions.

On May 8, 2009, the Company and certain of its domestic subsidiaries entered into a Credit Agreement (the Credit Agreement) that replaced the Company s Prior Credit Facility. Concurrent with the closing under the Credit Agreement, the Company terminated and paid in full its obligations under the Prior Credit Facility. The Company provided cash collateral to the former agent bank for the remaining exposure related to outstanding letters of credit and certain derivative obligations. The cash collateral is shown as restricted cash within the consolidated balance sheets as of June 30, 2010 and December 31, 2009. The Company was in compliance with all applicable financial covenants and other restrictions under the Prior Credit Facility as of the effective date of its termination and in May 2009, wrote off deferred costs of approximately $0.8 million, pre-tax, related to the Prior Credit Facility.

The Credit Agreement provides for an initial $95.0 million revolving credit facility (the Revolving Credit Facility) which expires on May 8, 2014. So long as no event of default has occurred and is continuing, the Company from time to time may request one or more increases in the total revolving credit commitment under the Revolving Credit Facility of up to $30.0 million in the aggregate. No assurance can be given, however, that the total revolving credit commitment will be increased above $95.0 million. Availability under the Revolving Credit Facility is conditioned upon various customary conditions. A quarterly nonrefundable commitment fee is payable by the Company based on the unused availability under the Revolving Credit Facility and is currently equal to 0.25%. Any outstanding borrowings under the Revolving Credit Facility on July 2, 2012, up to $50.0 million, automatically convert to a term loan maturing on May 8, 2014 (the Term Loan), with the total revolving credit commitment under the Revolving Credit Facility being reduced at that time by the amount of the Term Loan. Total availability under the Revolving Credit Facility at June 30, 2010 was $92.0 million, after considering outstanding letters of credit.

On November 30, 2009, the Company entered into a First Amendment to the Credit Agreement (the First Amendment). The First Amendment relaxes certain restrictions contained in the Credit Agreement so as to permit the Company to form subsidiaries in connection with future acquisitions or for corporate planning purposes; to permit increased capital expenditures; to increase the amount of cash that may be down-streamed to non-domestic subsidiaries; to permit the issuance of up to $8.0 million of letters of credit outside the Credit Agreement; to increase the amount of indebtedness the Company may obtain outside of the Credit Agreement; to permit the pledging of foreign assets to secure certain foreign debt; and to permit the purchase of 51% of Calgon Mitsubishi Chemical Corporation (CMCC) not already owned by the Company, including funding that transaction with foreign debt.

The interest rate on amounts owed under the Term Loan and the Revolving Credit Facility will be, at the Company s option, either (i) a fluctuating base rate based on the highest of (A) the prime rate announced from time to time by the lenders, (B) the rate announced by the Federal Reserve Bank of New York on that day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day plus 3.00% or (C) a daily LIBOR rate plus 2.75%, or (ii) LIBOR-based borrowings in one to six month increments at the applicable LIBOR rate plus 2.50%. A margin may be added to the applicable interest rate based on the Company s leverage ratio as set forth in the First Amendment. The interest rate per annum as of June 30, 2010 using option (i) above would have been 3.25% if any borrowings were outstanding.

Table of Contents

The Company incurred issuance costs of $1.0 million which were deferred and are being amortized over the term of the Credit Agreement. As of June 30, 2010 and December 31, 2009, respectively, there were no outstanding borrowings under the Revolving Credit Facility.

Certain of the Company s domestic subsidiaries unconditionally guarantee all indebtedness and obligations related to borrowings under the Credit Agreement. The Company s obligations under the Revolving Credit Facility are secured by a first perfected security interest in certain of the domestic assets of the Company and the subsidiary guarantors, including certain real property, inventory, accounts receivable, equipment and capital stock of certain of the Company s domestic subsidiaries.

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to indebtedness, liens, investments, capital expenditures, mergers and acquisitions, dispositions of assets and transactions with affiliates. The Credit Agreement also provides for customary events of default, including failure to pay principal or interest when due, failure to comply with covenants, the fact that any representation or warranty made by the Company is false or misleading in any material respect, certain insolvency or receivership events affecting the Company and its subsidiaries and a change in control of the Company. If an event of default occurs, the lenders will be under no further obligation to make loans or issue letters of credit. Upon the occurrence of certain events of default, all outstanding obligations of the Company automatically become immediately due and payable, and other events of default will allow the lenders to declare all or any portion of the outstanding obligations of the Company to be immediately due and payable. The Credit Agreement also contains a covenant which includes limitations on its ability to declare or pay cash dividends, subject to certain exceptions, such as dividends declared and paid by its subsidiaries and cash dividends paid by the Company in an amount not to exceed 50% of cumulative net after tax earnings following the closing date of the agreement if certain conditions are met. The Company was in compliance with all such covenants as of June 30, 2010.

Japanese Loans and Credit Facility

On March 31, 2010, the Company entered into a Revolving Credit Facility Agreement (the Japanese Credit Facility) totaling 2.0 billion Japanese Yen in order to partially finance the purchase of CCJ. This credit facility is unsecured and matures on March 31, 2011. Calgon Carbon Corporation provided a formal guarantee for up to eighty percent (80%) of all of the indebtedness of CCJ in its capacity as the borrower under the Japanese Credit Facility. The interest rate on amounts owed under the Japanese Credit Facility is based on a three-month Tokyo Interbank Offered Rate (TIBOR) plus 0.675%. The interest rate per annum as of June 30, 2010 was 1.065%. Total borrowings outstanding under the Japanese Credit Facility were 1.43 billion Japanese Yen or $16.2 million at June 30, 2010 and are shown as short-term debt within the consolidated balance sheet presented.

The Company also entered into two other borrowing arrangements as part of the purchase of CCJ on March 31, 2010, a Term Loan Agreement (the Japanese Term Loan), and a Working Capital Loan Agreement (the Japanese Working Capital Loan). Calgon Carbon Corporation is jointly and severally liable as the guarantor of CCJ s obligations and the Company permitted CCJ to grant a security interest and continuing lien in certain of its assets, including inventory and accounts receivable, to secure its obligations under both loan agreements. The Japanese Term Loan provided for a principal amount of 722.0 million Japanese Yen, or $7.7 million at March 31, 2010. This loan matures on March 31, 2013, bears interest at 1.975% per annum, and is payable in monthly installments of 20.0 million Japanese Yen beginning on April 30, 2010, with a final payment of 22.0 million Japanese Yen. Accordingly, 240.0 million Japanese Yen or $2.7 million is recorded as current and 422.0 million Japanese Yen or $4.8 million is recorded as long-term debt within the consolidated balance sheet at June 30, 2010. The Japanese Working Capital Loan provides for borrowings up to 1.5 billion Japanese Yen and bears interest based on a daily short-term prime rate fixed on the day a borrowing takes place, which was 1.475% per annum at June 30, 2010. This loan matures on March 31, 2011 and is renewable annually for a nominal fee. There were no borrowings outstanding under the Japanese Working Capital Loan at June 30, 2010.

Contractual Obligations

The Company is obligated to make future payments under various contracts such as debt agreements, lease agreements, and unconditional purchase obligations. As of June 30, 2010, there have been no significant changes in the payment terms of lease agreements and unconditional purchase obligations since December 31, 2009, except for the addition of debt totaling $23.6 million and the redeemable non-controlling interest of $1.6 million, related to the Company s increase in ownership of its joint venture CCJ (Refer to Notes 1 and 10 to the Condensed Consolidated Financial Statements included in Item 1), as well as the addition of an unconditional purchase obligation related to new raw material contracts entered into during the quarter ended in June 30, 2010. The following table represents the significant contractual cash obligations and other commercial commitments of the Company as of December 31, 2009, as adjusted for the changes mentioned above.

	Due in						
(Thousands)	2010(1)	2011	2012	2013	2014	Thereafter	Total
Short-term debt	$ 5,984	$16,156	$	$	$	$	$ 22,140
Current portion of long-term debt	2,015	1,355					3,370
Long-term debt		1,355	2,711	700			4,766
Operating leases	6,272	5,686	5,092	4,773	4,418	4,696	30,937
Unconditional purchase obligations(2)	42,153	32,326	7,374	1,575	263		83,691
Total contractual cash Obligations(3)	$56,424	$56,878	$15,177	$7,048	$4,681	$4,696	$144,904

(1) The 2010 amounts include payments of $6.0 million and $0.7 million for short-term and current portion of long-term debt, respectively, that were made during the six

months ended June 30, 2010.

(2) Primarily for the purchase of raw materials, transportation, and information systems services.

(3) Interest on debt obligations was excluded as it is not material.

Table of Contents

The cash needs of each of the Company s reporting segments are principally covered by the segment s operating cash flow on a stand alone basis. Any additional needs will be funded by cash on hand or borrowings under the Company s credit facility. Specifically, the Equipment and Consumer segments historically have not required extensive capital expenditures; therefore, the Company believes that cash on hand and borrowings will adequately support each of the segments cash needs over the next twelve months.

Capital Expenditures and Investments

Capital expenditures for property, plant and equipment totaled $17.0 million for the six months ended June 30, 2010 compared to expenditures of $28.2 million for the same period in 2009. The expenditures for the period ended June 30, 2010 consisted primarily of improvements to the Company s manufacturing facilities of $11.6 million and $2.7 million for customer capital. The expenditures for the period ended June 30, 2009 consisted primarily of improvements to the Company s manufacturing facilities of $23.1 million, of which $7.9 million was directly related to the April 2009 re-start of a previously idled production line at the Company s Catlettsburg, Kentucky facility and $7.8 million related to a new pulverization facility at the same location, and $2.2 million for customer capital. Capital expenditures for 2010 are projected to be approximately $50.0 million to $60.0 million. The aforementioned expenditures are expected to be funded by operating cash flows, cash on hand, and borrowings.

Labor Agreements

The labor agreement for the Company s workforce at its Catlettsburg, Kentucky facility expired on April 2, 2009. In June 2010, the parties successfully negotiated the terms and conditions of a replacement agreement which expires in 2013 (Refer to Note 11 to the Condensed Consolidated Financial Statements included in Item 1).

Environmental Matters, Litigation, and Contingencies:

On March 20, 2007, the Company and ADA-ES entered into a Memorandum of Understanding (MOU) providing for cooperation between the companies to attempt to jointly market powdered activated carbon (PAC) to the electric power industry for the removal of mercury from coal fired power plant flue gas. The MOU provided for commissions to be paid to ADA-ES in respect of product sales. The Company terminated the MOU effective as of August 24, 2007 for convenience. Neither party had entered into sales or supply agreements with prospective customers as of that date. On March 3, 2008, the Company entered into a supply agreement with a major U.S. power generator for the sale of powdered activated carbon products with a minimum purchase obligation of approximately $55 million over a 5 year period. ADA-ES claimed that it is entitled to commissions of at least $8.25 million over the course of the 5 year contract, which the Company denies. On September 29, 2008, the Company filed suit in the United States District Court for the Western District of Pennsylvania for a declaratory judgment from the Court that the Company has no obligation to pay ADA-ES commissions related to this contract or for any future sales made after August 24, 2007. The Company has been countersued alleging breach of contract. A jury trial was concluded in July 2010 and the Company received an adverse jury verdict determining that it breached its contract with ADA-ES by failing to pay commissions on sales of PAC to the mercury removal market. The jury awarded $3.0 million for past damages and $9.0 million in a lump sum for future damages, which is recorded as a component of current liabilities at June 30, 2010. The Company recorded a litigation contingency of $11.5 million for the quarter ended June 30, 2010. The Company previously recorded a $250 thousand litigation contingency in the quarter ended September 30, 2009 and a $250 thousand litigation contingency in the quarter ended June 30, 2008. The Company will appeal the verdict.

In 2002, the Company was sued by For Your Ease Only (FYEO). The case has been stayed since 2003. The case arises out of the Company s patent covering anti-tarnish jewelry boxes, U.S. Patent No. 6,412,628 (the 628 Patent). FYEO and the Company are competitors in the sale of jewelry boxes through a common retailer. In 2002, the Company asserted to the retailer that FYEO s jewelry box infringed the 628 Patent. FYEO filed suit in the U.S. District Court for the Northern District of Illinois for a declaration that the patent was invalid and not infringed, and claiming that the Company had tortuously interfered with its relationship with the retailer. The Company defended the suit until December 2003, when the case was stayed pending a re-examination of the 628 Patent in the Patent and Trademark Office. That patent was re-examined and certain claims of that patent were rejected by order dated February 25, 2008. The Company appealed, but the re-examination was affirmed by the Court of Appeals for the Federal Circuit. The Patent Trademark Office issued a re-examination certificate on August 25, 2009. The parties have resumed discovery and the stay on litigation has been lifted. The Company will assert that, notwithstanding the rejection of certain claims in the 628 Patent, the Company had a good-faith belief that its patent was valid and that FYEO s product infringed, and that such belief insulates the Company from liability for publicizing its patent. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

Calgon Carbon Japan KK f/k/a Calgon Mitsubishi Chemical Corporation (CCJ) sold carbon, which it purchased from a third-party supplier, for a DeSOX and DeNOX application to Sumitomo Heavy Industries, Ltd. (Sumitomo) which in turn sold it to Kobe Steel, Ltd. (Kobe Steel). The Kobe Steel purchase order sets forth certain quality standards with respect to the activated carbon, particularly with respect to the quality of repeated use for DeSOX and DeNOX. Testing has shown that the activated carbon provided by CCJ to Sumitomo for use by Kobe Steel did not meet the quality requirements as set forth in the purchase order. At that time Kobe Steel notified Sumitomo with regard to a potential claim for defective products. Sumitomo in turn notified CCJ. Kobe Steel is demanding that CCJ replace all the carbon that was delivered. CCJ believes that the quality issues can be met in less costly ways by the introduction of an additive. Alternatively, CCJ believes that less than all the carbon should be replaced. The parties are continuing to negotiate a solution. Mitsubishi Chemical Company (MCC) has agreed to indemnify CCJ for 51% of any loss it may suffer for the matter. At this time the Company cannot predict with any certainty the outcomes of this matter or a range of loss, if any.

Each of the Company s U.S. production facilities has permits and licenses regulating air emissions and water discharges. All of the Company s U.S. production facilities are controlled under permits issued by local, state and federal air pollution control entities. The Company is presently in compliance with these permits. Continued compliance will require administrative control and will be subject to any new or additional standards. In May 2003, the Company partially discontinued operation of one of its three activated carbon lines at its Catlettsburg, Kentucky facility known as B-line. The Company needed to install pollution abatement equipment in order to remain in compliance with state requirements regulating air emissions before resuming full operation of this line. During 2008, the Company installed state of the art wet scrubbers and made process improvements to B-line. The Company invested approximately $21 million to upgrade and abate B-line which was put into production in April 2009.

In conjunction with the February 2004 purchase of substantially all of Waterlink s operating assets and the stock of Waterlink s U.K. subsidiary, environmental studies were performed on Waterlink s Columbus, Ohio property by environmental consulting firms which provided an identification and characterization of the areas of

Table of Contents

contamination. In addition, these firms identified alternative methods of remediating the property, identified feasible alternatives and prepared cost evaluations of the various alternatives. The Company concluded from the information in the studies that a loss at this property is probable and recorded the liability as a component of current liabilities at June 30, 2010 and noncurrent other liabilities at December 31, 2009 in the Company s consolidated balance sheet. At June 30, 2010 and December 31, 2009, the balance recorded was $4.0 million. Liability estimates are based on an evaluation of, among other factors, currently available facts, existing technology, presently enacted laws and regulations, and the remediation experience of other companies. The Company has not incurred any environmental remediation expense for the three and six-month periods ended June 30, 2010 and 2009. It is reasonably possible that a change in the estimate of this obligation will occur as remediation preparation and remediation activity commences in the future. The ultimate remediation costs are dependent upon, among other things, the requirements of any state or federal environmental agencies, the remediation methods employed, the final scope of work being determined, and the extent and types of contamination which will not be fully determined until experience is gained through remediation and related activities. The Company plans to have a more definitive environmental assessment performed during the third quarter of 2010 to better understand the extent of contamination and appropriate methodologies for remediation. The Company also plans to begin remediation by the fourth quarter of 2010, with a current estimated completion by the end of the second quarter of 2011. This estimated time frame is based on the Company s current knowledge of the contamination and may change after the more definitive environmental assessment.

By letter dated January 22, 2007, the Company received from the United States Environmental Protection Agency (EPA), Region 4 a report of a hazardous waste facility inspection performed by the EPA and the Kentucky Department of Environmental Protection (KYDEP) as part of a Multi Media Compliance Evaluation of the Company s Big Sandy Plant in Catlettsburg, Kentucky that was conducted on September 20 and 21, 2005. Accompanying the report was a Notice of Violation (NOV) alleging multiple violations of the Federal Resource Conservation and Recovery Act (RCRA) and corresponding EPA and KYDEP hazardous waste regulations. The alleged violations mainly concern the hazardous waste spent activated carbon regeneration facility. The Company met with the EPA on April 17, 2007 to discuss the inspection report and alleged violations, and submitted written responses in May and June 2007. In August 2007, the EPA notified the Company that it believes there were still significant violations of RCRA that are unresolved by the information in the Company s responses, without specifying the particular violations. During a meeting with the EPA on December 10, 2007, the EPA indicated that the agency would not pursue certain other alleged violations. Based on discussions during the December 10, 2007 meeting, subsequent communications with the EPA, and in connection with the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) Notice referred to below, the Company has taken actions to address and remediate a number of the unresolved alleged violations. The Company believes, and the EPA has indicated, that the number of unresolved issues as to alleged continuing violations cited in the January 22, 2007 NOV has been reduced substantially. The EPA can take formal enforcement action to require the Company to remediate any or all of the unresolved alleged continuing violations which could require the Company to incur substantial additional costs. The EPA can also take formal enforcement action to impose substantial civil penalties with respect to violations cited in the NOV, including those which have been admitted or resolved. The Company is awaiting further response from the EPA and cannot predict with any certainty the probable outcome of this matter or range of potential loss, if any.

On July 3, 2008, the EPA verbally informed the Company that there are a number of unresolved RCRA violations at the Big Sandy Plant which may render the facility unacceptable to receive spent carbon for reactivation from sites regulated under CERCLA pursuant to the CERCLA Off-Site Rule. The Company received written notice of the unacceptability determination on July 14, 2008 (the CERCLA Notice). The CERCLA Notice alleged multiple violations of RCRA and four releases of hazardous waste. The alleged violations and releases were cited in the September 2005 multi-media compliance inspections, and were among those cited in the January 2007 NOV described in the preceding paragraph as well. The CERCLA Notice gave the Company until September 1, 2008 to demonstrate to the EPA that the alleged violations and releases are not continuing, or else the Big Sandy Plant would not be able to receive spent carbon from CERCLA sites until the EPA determined that the facility is again acceptable to receive such CERCLA wastes. This deadline subsequently was extended several times. The Company met with the EPA in August 2008 regarding the CERCLA Notice and submitted a written response to the CERCLA Notice prior to the meeting. By letter dated February 13, 2009, the EPA informed the Company that based on information submitted by the Company indicating that the Big Sandy Plant has returned to physical compliance for the alleged violations and releases, the EPA had made an affirmative determination of acceptability for receipt of CERCLA wastes at the Big Sandy Plant. The EPA s determination is conditioned upon the Company treating certain residues resulting from the treatment of the carbon reactivation furnace off-gas as hazardous waste and not sending material dredged from the onsite wastewater treatment lagoons offsite other than to a permitted hazardous waste treatment, storage or disposal facility. The Company has requested clarification from the EPA regarding these two conditions. The Company has also met with Headquarters of the EPA Solid Waste Division (Headquarters) on March 6, 2009 and presented its classification argument, with the understanding that Headquarters would advise Region 4 of the EPA. By letter dated January 5, 2010, the EPA determined certain residues resulting from the treatment of the carbon reactivation furnace off-gas are RCRA listed hazardous wastes and the material dredged from the onsite wastewater treatment lagoons is a RCRA listed hazardous waste and that they need to be managed in accordance with RCRA regulations. The cost to treat and/or dispose of the material dredged from the lagoons as hazardous waste could be substantial. However, by letter dated January 22, 2010, the Company received a determination from the KYDEP Division of Waste Management that the material is not listed hazardous waste when recycled as had been the Company s practice. The Company believes that pursuant to EPA regulations, KYDEP is the proper authority to make this determination. Thus, the Company believes that there is no basis for the position set forth in the EPA s January 5, 2010 letter and the Company will vigorously defend any complaint on the matter. The Company has had several additional discussions with Region 4 of the EPA. The Company has indicated to the EPA that it is willing to work with the agency toward a solution subject to a comprehensive resolution of all the issues. By letter dated May 12, 2010, from the Department of Justice Environmental and Natural Resourses Division (the DOJ), the Company was informed that the DOJ was prepared to take appropriate enforcement action against the Company for the NOV and other violations under the Clean Water Act (CWA). The Company met with the DOJ on July 9, 2010 and agreed to permit more comprehensive testing of the lagoons and to share data and analysis already obtained. On July 19, 2010, the EPA sent the Company a formal information request with respect to such data and analysis. The

Company is gathering the requested information. The Company cannot predict with any certainty the probable outcome of this matter or range of potential loss, if any.

By letter dated August 18, 2008, the Company was notified by the EPA Suspension and Debarment Division (SDD) that because of the alleged violations described in the CERCLA Notice, the SDD was making an assessment of the Company s present responsibility to conduct business with Federal Executive Agencies. Representatives of the SDD attended the August 2008 EPA meeting. On August 28, 2008, the Company received a letter from the Division requesting additional information from the Company in connection with the SDD s evaluation of the Company s potential business risk to the Federal Government, noting that the Company engages in procurement transactions with or funded by the Federal Government. The Company provided the SDD with all information requested by the letter in September 2008. The SDD can suspend or debar a Company from sales to the Federal Government directly or indirectly through government contractors or with respect to projects funded by the Federal Government. The Company estimates that revenue from sales made directly to the Federal Government or indirectly through government contractors comprised less than 8% of its total revenue for the year ended December 31, 2009. The Company is unable to estimate sales made directly or indirectly to customers and or projects that receive federal funding. In October 2008, the SDD indicated that it was still reviewing the matter but that another meeting with the Company was not warranted at that time. The Company believes that there is no basis for suspension or debarment on the basis of the matters asserted by the EPA in the CERCLA Notice or otherwise. The Company has had no further communication with the SDD since October 2008 and believes the likelihood of any action being taken by the SDD is remote.

In June 2007, the Company received a Notice Letter from the New York State Department of Environmental Conservation (NYSDEC) stating that the NYSDEC had determined that the Company is a Potentially Responsible Party (PRP) at the Frontier Chemical Processing Royal Avenue Site in Niagara Falls, New York (the Site). The Notice Letter requests that the Company and other PRP s develop, implement and finance a remedial program for Operable Unit #1 at the Site. Operable Unit #1 consists of overburden soils and overburden and upper bedrock groundwater. The selected remedy is removal of above grade structures and contaminated soil source areas, installation of a cover system, and ground water control and treatment, estimated to cost between approximately $11 million and $14 million, which would be shared among the PRP s. The Company has not determined what portion of the costs associated with the remedial program it would be obligated to bear and the Company cannot predict with any certainty the outcome of this matter or range of potential loss. The Company has joined a PRP group (the PRP Group) and has executed a Joint Defense Agreement with the group members. In August 2008, the Company and over 100 PRP s entered into a Consent Order with the NYSDEC for additional site investigation directed toward characterization of the Site to better define the scope of the remedial project. The Company contributed monies to the PRP Group to help fund the work required under the Consent Order. The additional site investigation required under the Consent Order was initiated in 2008 and completed in the spring of 2009. A final report of the site investigation was submitted to NYSDEC in October 2009. By letter dated December 31, 2009, NYSDEC disapproved the report. The bases for disapproval include concerns regarding proposed alternate soil cleanup objectives, questions regarding soil treatability studies and questions regarding ground water contamination. PRP Group representatives met several times with NYSDEC regarding revising the soil cleanup objectives set forth in the Record of Decision to be consistent with recently revised regulations. NYSDEC does not agree that the revised regulation applies to this site but requested additional information to support the PRP Group s position. The PRP Group s consultant did additional cost-benefit analyses and further soil sampling. The results were provided to NYSDEC but they remain unwilling to revise the soil standards. Additionally, NYSDEC indicated that because the site is a former RCRA facility, soil excavated at the site would be deemed hazardous waste and would require offsite disposal. Conestoga Rovers Associates, the PRP Group s consultant, estimates the soil remedy cost would increase from about $3.2 million to $4.9 to $6.1 million if all excavated soil had to be disposed offsite. Also, PRP Group Representatives met with the Niagara Falls Water Board (NFWB) regarding continued use of the NFWB s sewers and wastewater treatment plant to collect and treat contaminated ground water from the site. This would provide considerable cost savings over having to install a separate ground water collection and treatment system. The Board was receptive to the PRP Group s proposal and work is progressing on a draft permit. In addition, the adjacent landowner has expressed interest in acquiring the site for expansion of its business.

By letter dated July 3, 2007, the Company received an NOV from the KYDEP alleging that the Company has violated the KYDEP s hazardous waste management regulations in connection with the Company s hazardous waste spent activated carbon regeneration facility located at the Big Sandy Plant in Catlettsburg, Kentucky. The NOV alleges that the Company has failed to correct deficiencies identified by the KYDEP in the Company s Part B hazardous waste management facility permit application and related documents and directed the Company to submit a complete and accurate Part B application and related documents and to respond to the KYDEP s comments which were appended to the NOV. The Company submitted a response to the NOV and the KYDEP s comments in December 2007 by providing a complete revised permit application. The KYDEP has not indicated whether or not it will take formal enforcement action, and has not specified a monetary amount of civil penalties it might pursue in any such action, if any. The KYDEP can also deny the Part B operating permit. On October 18, 2007, the Company received an NOV from the EPA related to this permit application and submitted a revised application to both the KYDEP and the EPA within the mandated timeframe. The EPA has not indicated whether or not it will take formal enforcement action, and has not specified a monetary amount of civil penalties it might pursue in any such action. The Company met with the KYDEP on July 27, 2009 concerning the permit, and the KYDEP indicated that it, and Region 4 of the EPA, would like to see specific additional information or clarifications in the permit application. Accordingly, the Company submitted a new application on October 15, 2009. The KYDEP indicated that it had no intention to deny the permit as long as the Company worked with the state to resolve issues. The Region 4 of the EPA has not indicated any stance on the permit and can deny the application. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

The Company is also subject to various environmental health and safety laws and regulations at its facilities in Belgium, Germany, United Kingdom, China, Canada, Sweden, Denmark, Singapore, Thailand, Taiwan, and Japan. These laws and regulations address substantially the same issues as those applicable to the Company in the United States. The Company believes it is presently in substantial compliance with these laws and regulations.

In addition to the matters described above, the Company is involved in various other legal proceedings, lawsuits and claims, including employment, product warranty and environmental matters of a nature considered normal to its business. It is the Company s policy to accrue for amounts related to these legal matters when it is probable that a liability has been incurred and the loss amount is reasonably estimable. Management believes that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the consolidated financial position or liquidity of the Company, but an adverse outcome could be material to the results of operations in a particular period in which a liability is recognized.

Table of Contents

Other

On March 8, 2006, the Company and another U.S. producer (the Petitioners) of activated carbon formally requested that the United States Department of Commerce investigate unfair pricing of certain activated carbon imported from the People s Republic of China. The Commerce Department investigated imports of activated carbon from China that is thermally activated using a combination of heat, steam and/or carbon dioxide. Certain types of activated carbon from China, most notably chemically-activated carbon, were not investigated.

On March 2, 2007, the Commerce Department published its final determination (subsequently amended) that all of the subject merchandise from China was being unfairly priced, or dumped, and thus that special additional duties should be imposed to offset the amount of the unfair pricing. The resultant tariff rates ranged from 61.95% ad valorem (i.e., of the entered value of the goods) to 228.11% ad valorem. A formal order imposing these tariffs was published on April 27, 2007. All imports from China remain subject to the order and antidumping tariffs. Importers of subject activated carbon from China are required to make cash deposits of estimated antidumping tariffs at the time the goods are entered into the United States customs territory. Deposits of tariffs are subject to future revision based on retrospective reviews conducted by the Commerce Department.

The Company is both a domestic producer and one of the largest U.S. importers (from its wholly-owned subsidiary Calgon Carbon (Tianjin) Co., Ltd.) of the activated carbon that is subject to this proceeding. As such, the Company s involvement in the Commerce Department s proceedings is both as a domestic producer (a petitioner) and as a foreign exporter (a respondent).

As one of two U.S. producers involved as petitioners in the case, the Company is actively involved in ensuring the Commerce Department obtains the most accurate information from the foreign producers and exporters involved in the review, in order to calculate the most accurate results and margins of dumping for the sales at issue.

As an importer of activated carbon from China and in light of the successful antidumping tariff case, the Company was required to pay deposits of estimated antidumping tariffs at the rate of 84.45% ad valorem to U.S. Customs and Border Protection (Customs) on entries made on or after October 11, 2006 through March 1, 2007. From March 2, 2007 through March 29, 2007 the antidumping rate was 78.89%. From March 30, 2007 through April 8, 2007 the antidumping duty rate was 69.54%. Because of limits on the government s legal authority to impose provisional tariffs prior to issuance of a final determination, entries made between April 9, 2007 and April 18, 2007 were not subject to tariffs. For the period April 19, 2007 through November 10, 2009, deposits have been paid at 69.54%.

The Company s role as an importer that is required to pay tariffs results in a contingent liability related to the final amount of tariffs that it will ultimately have to pay. The Company has made deposits of estimated tariffs in two ways. First, estimated tariffs on entries in the period from October 11, 2006 through April 8, 2007 were covered by a bond. The total amount of tariffs that can be paid on entries in this period is capped as a matter of law, though the Company may receive a refund with interest of any difference due to a reduction in the actual margin of dumping found in the first review. The Company s estimated liability for tariffs during this period of $0.2 million is reflected in accounts payable and accrued liabilities on the consolidated balance sheet at June 30, 2010. Second, the Company has been required to post cash deposits of estimated tariffs owed on entries of subject merchandise since April 19, 2007. The final amount of tariffs owed on these entries may change, and can either increase or decrease depending on the final results of relevant administrative inquiries. This process is further described below.

The amount of estimated antidumping tariffs payable on goods imported into the United States is subject to review and retroactive adjustment based on the actual amount of dumping that is found. To do this, the Commerce Department conducts periodic reviews of sales made to the first unaffiliated U.S. customer, typically over the prior 12 month period. These reviews will be possible for at least five years, and can result in changes to the antidumping tariff rate (either increasing or reducing the rate) applicable to any given foreign exporter. Revision of tariff rates has two effects. First, it will alter the actual amount of tariffs that Customs will seek to collect for the period reviewed, by either increasing or decreasing the amount to reflect the actual amount of dumping that was found. If the actual amount of tariffs owed increases, the government will require payment of the difference plus interest. Conversely, when the tariff rate decreases, any difference is refunded with interest. Second, the revised rate becomes the cash deposit rate applied to future entries, and can either increase or decrease the amount of deposits an importer will be required to pay.

On November 10, 2009, the Commerce Department announced the results of its review of the tariff period beginning October 2006 through March 31, 2008 (period of review (POR) I). Based on the POR I results, the Company s ongoing tariff deposit rate was adjusted from 69.54% to 14.51% (as adjusted by .07% for certain ministerial errors and published in the Federal Register on December 17, 2009) for entries made subsequent to the announcement. In addition, the Company s assessment rate for POR I was determined to have been too high and, accordingly, the Company reduced its recorded liability for unpaid deposits in POR I and recorded a receivable of $1.6 million reflecting expected refunds for tariff deposits made during POR I as a result of the announced decrease in the POR I tariff assessment rate. Note that the Petitioners have appealed to the U.S. Court of International Trade the Commerce Department s POR I results challenging, among other things, the selection of certain surrogate values and financial information which in-part caused the reduction in the tariff rate. Other appeals were also filed by Chinese respondents seeking changes to the calculations that either do not relate to the Company s tariff rate or would, if applied to the Company, lower its tariff rate. There is no deadline for a final decision regarding these appeals but such appeals typically take at least a year to resolve. The Company will not have final settlement of the amounts it may owe or receive as a result of the final POR I tariff rates until the aforementioned appeals are resolved.

On April 1, 2009, the Commerce Department published a formal notice allowing parties to request a second annual administrative review of the antidumping tariff order covering the period April 1, 2008 through March 31, 2009 (POR II). Requests for review were due no later than April 30, 2009. The Company, in its capacity as a U.S. producer and separately as a Chinese exporter, elected not to participate in this administrative review. By not participating in the review, the Company s tariff deposits made during POR II are final and not subject to further adjustment.

For POR I, the Company estimates that a hypothetical 10% increase or decrease in the final tariff rate compared to the announced rate on November 10, 2009 would result in an additional payment or refund of approximately $0.1 million. As noted above, the Company s tariff deposits made during POR II are fixed and not subject to change. For the period April 1, 2009 through March 31, 2010 (POR III), a hypothetical 10% increase or decrease in the final tariff rate compared to the announced rates in effect for the period would result in an additional payment or refund of $0.1 million based on deposits made during this period.

The contingent liability relating to tariffs paid on imports is somewhat mitigated by two factors. First and foremost, the antidumping tariff order s disciplinary effect on the market encourages the elimination of dumping through fair pricing. Separately, pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (repealed effective Feb. 8, 2006), as an affected domestic producer, the Company is eligible to apply for a distribution of a share of certain tariffs collected on entries of subject merchandise from China from October 11, 2006 to September 30, 2007. In July 2009 and 2008, the Company applied for such distributions. In November 2009 and December 2008, the Company received distributions of approximately $0.8 million and $0.2 million, respectively, which reflected 59.57% of the total amounts then available. The Company anticipates receiving additional amounts in 2010 and future years related to tariffs paid for the period October 11, 2006 through September 30, 2007, though the exact amount is impossible to determine. There were no additional amounts received during the six month period ended June 30, 2010.

On April 1, 2010, the Commerce Department published a formal notice allowing parties to request a third annual administrative review of the antidumping tariff order covering the period April 1, 2009 through March 31, 2010 (POR III). Requests for review were due no later than April 30, 2010. The Company, in its capacity as a U.S. producer and separately as a Chinese exporter, elected not to participate in this administrative review. However, Albemarle Corporation has requested that the Commerce Department review the exports of Calgon Carbon Tianjin claiming standing as a wholesaler of the domestic like product. This claim by Albemarle to have such standing is being appealed by the Company in its capacity as a U.S. producer and separately as a Chinese exporter. The Commerce Department is currently reviewing this appeal claim to determine if Calgon Carbon Tianjin will be reviewed in third administrative review.

Outlook

Activated Carbon and Service

The Company s activated carbon and service sales volume is expected to show improvement throughout the remainder of 2010 compared to 2009. Sales to the Asian market are expected to increase due to the acquisition of the controlling interest in a Japanese supplier of activated carbon and related services in the first quarter of 2010. Sales growth in the United States will be driven by the general economic recovery and environmental legislation. Growth in Europe is expected to be slower, keeping pace with improvement in that region s economy.

Table of Contents

Most of the markets that the Company serves strengthened in the second quarter of 2010 due to the improved economy. Of special note was the potable water market which benefited from an increase in consumer and commercial demand, as well as a federal mandate for the prevention/removal of disinfection by-products from drinking water. Sales to the environmental air market in the U.S. increased due to state regulations requiring removal of mercury from coal-fired power plant flue gas. Growth in these markets will continue as companies continue to comply with these environmental regulations.

While the tariff on imported Chinese thermally activated carbon to the U.S. was lowered significantly in November 2009, current trends do not indicate signs of pricing pressure, and the company expects that this will remain the case throughout the remainder of 2010. The Company intends to conduct a world wide evaluation of pricing during the third quarter of 2010 and determine what, if any, price increase is appropriate.

During 2009, in addition to the April restart of the previously idled B-line at the Catlettsburg, Kentucky facility, the Company also further invested at this site in a new pulverization facility which is capable of converting 90 million pounds of feedstock to PAC. The pulverization facility commenced operation during the fourth quarter of 2009 and reduces the Company s reliance on third-party grinding. PAC is recognized today by the U.S. Environmental Protection Agency as the leading abatement technology for mercury removal from coal-fired power plant flue gas. The Company believes that this could become the largest U.S. market for activated carbon and has made great strides in establishing itself as a market leader. Mercury emission standards that begin to take effect in more than a dozen states, primarily in 2010, are driving the current PAC market, but U.S. regulatory or congressional action will determine the national standards in the long-term. Currently, the EPA plans to issue proposed mercury emission standards by March 2011 that would then be finalized by November 2011. The Company currently estimates that annual demand could be as high as 165 million pounds in 2010; 220 million pounds in 2011 and 2012; and, 500 million pounds within the next ten years. In addition, more than 140 countries have indicated interest in a multi-nation mercury removal pact that could be agreed upon on as early as 2013.

The need for municipal drinking water utilities to comply with the Environmental Protection Agency s Stage 2 Disinfection By-Product (DBP) Rule is yet another growth driver for the Company. DBP s are compounds that form when natural decaying organic chemicals present in drinking water sources come in contact with disinfecting chemicals such as chlorine. Granular activated carbon (GAC) is recognized by the EPA as a best available control technology (BACT) for the reduction of DBP s. The EPA promulgated the Stage 2 DBP Rule in 2006, and requires water utilities to come into compliance with the rule in a phased manner between 2012 and 2014. The Company currently estimates that this regulation may increase demand for GAC by municipal water utilities in the United States to as much as 100 million pounds per year by 2015.

In anticipation of the eventual improvement in the worldwide economy and to meet the increased demand for mercury removal and the DBP Rule, the Company currently plans to make significant capital expenditures in 2010 totaling $50 million to $60 million. The Company is investing in a capacity expansion of the Feluy, Belgium site as well as new reactivation facilities in China and in the northeast United States. In total, these sites will eventually increase the Company s service business capacity by 59 million pounds annually. All three sites are expected to commence operation in 2011.

Table of Contents

In addition to these initiatives, the Company plans on increasing its presence throughout the world. In March 2010, the Company acquired the controlling interest in its current joint venture in Japan with full ownership expected in early 2011 (Refer to Note 1 to the Condensed Consolidated Financial Statements included in Item 1). This acquisition will increase the Company s capabilities in the world s second largest geographical market by country for activated carbon. In Europe, the Company acquired Zwicky Denmark and Sweden, long-term distributors of the Company s activated carbon products and provider of services associated with the reactivation of activated carbon, in January 2010 (Refer to Note 1 to the Condensed Consolidated Financial Statements included in Item 1). This acquisition is consistent with the Company s strategic initiatives to accelerate growth in Denmark, Norway, and Sweden and to expand its service capabilities in Europe outside of the geographic markets it has traditionally served.

Equipment

The Company s equipment business is somewhat cyclical in nature and depends on both current regulations as well as the general health of the overall economy. U.S demand for the Company s ultraviolet light (UV) systems is expected to hold as the Company moves closer to the deadline of 2012 for affected municipalities to treat for Cryptosporidium in drinking water. Although equipment contract awards slowed during 2009, bid activity has improved in 2010. Backlog for the Equipment segment at June 30, 2010 is $19.8 million.

In January 2010, the Company acquired Hyde Marine, Inc., a manufacturer of systems that utilize UV technology to treat marine ballast water (Refer to Note 1 to the Condensed Consolidated Financial Statements included in Item 1). In 2004, the International Maritime Organization (IMO) adopted the International Convention for the Control and Management of Ships Ballast Water and Sediments (BWMC) which addresses the transportation of potentially harmful organisms through ballast water. The regulation is scheduled to be phased in globally over a ten-year period beginning in 2010, and industry sources estimate that it will require treatment of ballast water from more than 40,000 vessels by 2020. Hyde Marine s Hyde Guardian system (Guardian), which employs stacked disk and ultraviolet light technology to filter and disinfect ballast water, offers cost, safety, and technological advantages. Guardian has received Type Approval from Lloyd s Register on behalf of the U.K. Maritime and Coast Guard Agency. Type Approval confirms compliance with the BWMC. This strategic acquisition has provided the Company immediate entry into a global, legislative-driven market with major long-term growth potential.

Consumer

The slowing economy contributed to decreased demand for the Company s PreZerve® products in 2009 which continued in 2010. During the second quarter of 2010, the Company also saw a decrease in its activated carbon cloth sales compared to the comparable 2009 period. The Company expects that during the third quarter of 2010 the sales will be at a comparable level as the similar 2009 period.

Critical Accounting Policies

There were no material changes to the Company s critical accounting policies from those disclosed in the Company s Form 10-K for the year ended December 31, 2009.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in the Company s exposure to market risk from December 31, 2009.

Item 4. Controls and Procedures

Disclosure Controls and Procedures:

The Company s principal executive officer and principal financial officer have evaluated the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), at the end of the period covered by this Quarterly Report on Form 10-Q. Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and include controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control:

There have not been any changes in the Company s internal controls over financial reporting that occurred during the period ended June 30, 2010, that have significantly affected, or are reasonably likely to significantly affect, the Company s internal controls over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 to the unaudited interim Condensed Consolidated Financial Statements contained herein.

Item 1a. Risk Factors

There were no material changes in the Company s risk factors from the risks disclosed in the Company s Form 10-K for the year ended December 31, 2009.

Item 6. Exhibits

Exhibit No.	Description	Method of filing
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CALGON CARBON CORPORATION
(REGISTRANT)

Date: August 5, 2010 /s/Stevan R. Schott

Stevan R. Schott
Vice President,
Chief Financial Officer

52

EXHIBIT INDEX

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