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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Calgon Carbon corporation conference call. (Operator Instructions).

I would now like to turn the conference over to Gail Gerono, Vice President of Investor Relations. You may begin your conference.

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Thank you. Good morning, everyone, and thank you for joining us. This quarterly call is the first for two of our speakers, Randy Dearth and Bob O'Brien. Randy joins Calgon Carbon as President and CEO on August 1st. So this is his one week anniversary. He had been President and CEO of LANXESS, an international chemical manufacturer and has also been a member of Calgon Carbon's Board of Directors since 2007.

Many of you know Bob O'Brien. Bob has been with the company for more than 35 years, and he was named Chief Operating Officer earlier this year. Steve Schott, our CFO will be our first speaker providing a review of Calgon Carbon second quarter financials.

Before Steve begins I would like to remind you the Private Securities Litagation Reform Act of 1995 provides a Safe Harbor for forward-looking statements. Today's presentation, or perhaps some of the statements executives make during the Q & A may contain statements that are forward looking . Forward-looking statements typically contain words expect, believe, estimate, anticipate or similar words indicating that future 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 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 in the presentation or during the Q&A. Further, the Company operates in an industry sector where security values may be volatile and may influenced by economic and other factors beyond the Company's control. Some of the factors that could affect the Company's future performance are high energy and raw material costs , costs of imports and related tariffs, labor relations, availability of capital and environmental requirements as they relate both to the operation and to our customers. In the context of the forward looking information provided in this webcast, please refer to the discussion of risk factors and other information detailed in, as well as the other information contained in, the Company's most recent annual report and 10-K. Steve?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Thanks, Gail. Good morning, everyone. Total sales for the second quarter of 2012 were $148.4 million versus $135.3 million in the second quarter of 2011, an increase of $13.1 million or 9.7%.

Sales in each of our three segments increased in the second quarter of 2012 as compared to 2011. Currency translation had a negative impact of $3 million on sales for the second quarter of 2012 due to the stronger dollar. Regarding our segments, sales in the Activated Carbon and Service segment increased $4.8 million or 4% for the second quarter of 2012 compared to 2011's second quarter. Contributing to this quarter over quarter increase was a higher demand in the potable water market and higher pricing in the metals recovery market.

Equipment sales increased $8.2 million or 70.3% for the second quarter of 2012 compared to 2011's second quarter. Primarily due to higher revenue recognition from ballast water treatment systems. Consumer sales increased slightly by approximately $68,000 or 3.2% for the second quarter of 2012 compared to 2011's second quarter, as a result of higher demand for activated carbon cloth products.

Consolidated gross profit before depreciation and amortization as a percent of net sales was 31% in the second quarter of 2012 compared to 32.8% in the second quarter of 2011, a decrease of 1.8 percentage points. The decline was primarily in the Activated Carbon and Service segment as a result of higher coal and plant maintenance costs. Depreciation and amortization expense was $6.4 million in the second quarter of 2012, compared to $5.7 million in the second quarter of 2011. The increase of $700,000 or 12.3% is primarily the result of additional depreciation related to capital improvements made at the Company's Feluy, Belgium and Catlettsburg, Kentucky facilities.

Selling administrative and research expenses were $23.1 million during the second quarter of 2012 versus $22.5 million in 2011. An increase of $600,000 are on 2.7%. This increase was primarily related to an increase in advanced product testing costs related both to mercury removal from flu gas and the use of activated carbon ultra capacitors.

As a percent of sales these expenses were 15.6% in the second quarter of 2012 as compared to 16.6% for the second quarter of 2011, 1% point improvement as well as 1.9 %point improvement over the first quarter of 2012 which was 17.5%.

The Company recorded a tax provision of $5.2 million or 32.4% versus a provision of $6.1 million for the second quarter of 2011.

The Company's full year, 2012 tax rate is currently estimated to be 34%. In summary, our net income for the second quarter was $10.9 million or $0.19 cents per diluted share versus net income of $11.3 millionor $0.20 cents per diluted share in 2011.

Turning briefly to the Company's business segments, the Activated Carbon and Service segment recognized $20.5 million in operating income before depreciation and amortization in the second quarter of 2012 compared to $24.9 million in the second quarter of 2011. As a percent of sales this major declined from 20.5%to 16.2% in comparison of those two periods. The decline was primarily due to the previously mentioned higher plant maintenance and coal costs. The second quarter of 2011 included a $1.3 million reduction in an environmental liability at the Company's Columbus, Ohio production facility. It favorably impacted our 2011 results. The equipment segment , recognized $2 million in operating income before depreciation and amortization in the second quarter of 2012 as compared to a loss of $500,000 in the second quarter of 2011.

The increase was primarily due to higher recognition of ballast water treatment systems. Equipment backlog was $29 million as of June 30th, 2012 which represents a decline of $9.2 million from March 31, 2012. The Consumer segment recognized $500,000 in operating income before depreciation and amortization for the second quarter of 2012 as compared to a loss of $1.3 million in the second quarter of 2011.

The second quarter of 2011 included a $1.3 million charge related to a discontinued product line. Regarding our balance sheet, cash increased during the second quarter of 2012 and at June 30th, 2012 we had approximately $18 million of unrestricted and restricted cash. Receivables were $102.4 million for the second quarter of 2012 which was comparable to year-end 2011.

Inventories were $118.3 million for the second quarter of 2012 , also comparable to year-end. As of June 30th, the Company had total debt outstanding of $37.9 million which represents an increase of approximately $10.6 million from year-end and relates to both Calgon Carbon Japan and borrowings under our U.S. credit facility.

Operating cash flow was $20.8 million for the second quarter as compared to $12 million for the second quarter of 2011. The $8.8 million increase is primarily due to favorable working capital changes, as well as lower 2012 pension contributions.

Capital expenditures totaled $25 million for the second quarter of 2012 and $36 million for the first half of 2012. Capital expenditures for the second quarter of this year include over $11 million related to the capacity expansion project at our Pearl River production facility. Our estimated spending on capital for the full year 2012 is currently estimated to be between $65 million and $75 million. That is my summary of the second quarter from a financial perspective.

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Our next speaker is Bob O'Brien, Executive Vice President and Chief Operating Officer.

Bob O'Brien - *Calgon Carbon Corporation - EVP, COO*

Thanks, Gail. I'm going to provide an operations report, focusing on significant factors that had an impact on our second quarter. First topic is Pearl River maintenance and capacity expansion. We perform major maintenance or turn arounds on each of our virgin activated carbon production lines approximately every 18 months. Which means we conduct between two and three maintenance turn arounds a year on our four lines.

A number of factors are considered when we set the schedule for the maintenance turn arounds. In the second quarter 2012 turn arounds occurred on the production line at Big Sandy and on the production line at the Pearl River plant. The turn around at Pearl was coordinated with a capital investment project which was aimed at reducing costs and expanding capacity. The two turn arounds, which were one more than that performed in the second quarter of 2011, had an adverse impact on gross margin. The Pearl River capital project, which is nearing completion, will increase our annual granular carbon production capacity by approximately eight million pounds. We also added equipment at the plant that should enable us to reduce coal costs by providing more flexibility in the types of coals that we utilize.

On the subject of coal costs , coal costs also contributed to the decline in gross margin as compared to last year's second quarter. We had expected coal costs to increase in 2012 as the contract with our largest coal supplier ended at the end of 2011. Going into 2012 we had contracts in place with a number of other coal suppliers to meet our needs. One of the suppliers; however did not live up to their contractual obligations, and we were forced to conduct a number of full scale plant trials to identify suitable alternative suppliers. These trials along with the expiration of our long-term contract added approximately $1 million in coal costs for Q2 2012 versus last year's second quarter. On the plus side, however, we were able to secure a three-year contract with a new supplier that is approximately 10% lower in price than that of the problem supplier. We should begin to see the favorable affect in the beginning of the fourth quarter.

Moving to the Suzhou Reactivation Facility. Our new reactivation plant in Suzhou, China did not operate in the second quarter. A number of our major customers reclassified their spent carbon as hazardous, which required them to obtain revised permits to ship their spent carbons across provincial borders. We were also required to obtain revised permits. We have received the necessary permits for our plant, but our customers are still in the process of resolving their transportation permit issues. Until they are resolved , the plant will run intermittently and will not contribute to Calgon Carbon's financial results.

On Calgon Carbon Japan which we refer to as CCJ. While CCJ margins declined sequentially and year-over-year in the second quarter, we hired a new President and a new Director of Operations who should have a positive affect on future results. CCJ was also awarded a significant contract for municipal water treatment valued at $2.5 million.

Overall pricing for activated carbon and related services was flat for the quarter. However, preliminary tariffs on imported Chinese thermally activated carbon to the United States for a period of review for, were announced in May. The average tariff rate per pound increased from the current rate of approximately $0.13 cents to approximately $0.61 cents. That's a $0.48 cent per pound increase. If the preliminary tariffs are upheld when the final determination is released on November 1st, 2012 , fair market pricing in the U.S. will be reestablished , and we should benefit.

Now some updates on our growth opportunities. Disinfection by products. In July we announced a 10-year contract from the city of Scottsdale, Arizona to reactivate spent carbon used to treat the city's drinking water. Also in July we broke ground for reactivation facility to serve Phoenix, Scottsdale and other communities in the region. As you may recall, municipal water treatment plants that don't currently meet the EPA's Stage 2 Disinfection By- product Regulations will most often consider two options. Either changing their disinfectant from chlorine to chloramines or installing activated carbon to remove natural organic matter from the water, prior to chlorination. Switching to chloramines is a relatively low cost alternative, but citizens groups are beginning to question the health affects of by-products formed with the use of chloramines.

A group in Tulsa, Oklahoma has started a petition drive to convince city leaders to stop using chloramines to disinfect their drinking water. Last week the local governing boards in Charlottesville, Virginia voted against the adoption of and approved a study of granular activated carbon as a replacement technology. Members of a community in Vermont persuaded officials to consider using activated carbon instead of chloramines for drinking water disinfection. In June, a committee in Rutland, Vermont proposed using chloramines to comply with EPA regulations on disinfection by-products. But Rutland's City Council voted down the proposal until it can conduct more research. This type of public concern surrounding chloramines gives us confidence the use of activated carbon in drinking water treatment will continue to grow. The fact to remember is that less than 10% of the water plants in the U.S. currently use granular activated carbon.

Moving to ballast water treatment. In the second quarter of 2012 , we recognized a large portion of the revenue for the $20 million Korean contract that we were awarded in 2010. In the second quarter , we received 13 orders, but the value of these contracts did not offset the revenue from the Korean project. Therefore Steve mentioned our backlog dropped. We expect only moderate growth in the backlog as a number of new ships to be built this year is expected to be 600 to 700 versus the historical average of 2,000. However, proposal requests continue to be strong, and more of these proposal requests are for retrofits and fleets.

There were no new signatories to the International Maritime Organizations Convention on ballast water treatment in the second quarter. 35-member nations representing 28% of the global shipping tonnage have approved the convention which is 7% short of the needed tonnage for ratification. In the U.S., we are working with other UV equipment manufacturers through the International UV Association to educate the U.S. Coast Guard on the effectiveness of UV treatment for the disinfection of ballast water.

The current ballast water treatment regulations Set forth by the U.S. Coast Guard required that the organisms be killed. This is not completely inline with the UV disinfection process which both that kills and inactivates organisms by scrambling their DNA. Since the U.S. EPA has accepted the viability of UV technology for drinking water and waste water disinfection, and the fact that 60% of the ballast water treatments sold to date employ UV technology, we anticipate that the U.S. Coast Guard will also accept UV technology for ballast water treatment. The Coast Guard regulations as written pose substantial challenges for ballast water treatment systems using disinfection chemicals.

On mercury removal, last week the EPA issued an administrative stay on the Mercury and Air Toxic Standards rule, or MATS, for new coal fired power plants. The state delays monitoring, record keeping and reporting requirements for these plants until November 2nd, 2012.

As the number of planned new coal -fired power plants is small, we have not changed our activated demand projections for this application, approximately 400 to 750 million pounds per year. There has been relatively little bid activity in the mercury market of late. But a number of carbon supply contracts to the power industry are set to expire at the end of the year. These facilities have been very active in testing and evaluating products to best beat their needs. Based on the tests that we have conducted and the positive feedback we have received at a number of these customer trials, we are optimistic our new advanced products will provide significant value to the power industry and allow us to increase our market share. Due to the continued over capacity in the market place for mercury controlled carbons, however, we expect margins on new contracts to be lower in the near term until we move closer to the EPA compliance state for mercury control.

Moving to our cost improvement program. The cost improvement program that was previously mentioned on the first quarter earnings call is now underway. The program is designed to produce savings in the following areas, raw material costs, warehousing, transportation, waste disposal, manufacturing efficiency and personnel costs. We expect that this program will results in recurring annual savings of more than $10 million beginning in 2013. That concludes the operations report for the second quarter.

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Next Steve will make some comments about expectations for the third quarter.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Thanks, Gail. Regarding our third quarter, we expect our revenue will be down sequentially given the forecasted drop and the use of activated carbon more mercury removal and because of lower equipment revenue primarily related to Hyde Marine. Compared to 2011's third quarter, we expect revenue to be approximately flat. Included in last year's third quarter revenue was approximately $8 million of urgent carbon provided to the city of Phoenix. Carbon sales for mercury removal are also expected to decline significantly year-over-year. Finally revenue growth in Europe will likely be offset by the unfavorable affects of foreign exchange.

In addition our reactivation capacity expansions are not yet providing their expected contributions to our growth. As you heard, the Suzhou plant in China is not expected to contribute positively to the third quarter. In Europe, our capacity expansion has helped us to grow, but the overall European market remains challenging, and it will take us longer than expected to fill our furnace capacity at reasonable margins.

Regarding margins, we expect that the margins in the third quarter will be approximately equal to our second quarter margins. They are expected to be adversely impacted by the completion of the Pearl River plant maintenance and expansion project and will not yet benefit from lower coal costs. We expect that benefit to begin in the fourth quarter. As Bob discussed , however, the cost improvement program initiatives target margin improvement. And we expect to see that improvement beginning in the fourth quarter.

Operating expense, given the forecasted sequential decline in revenue, our selling administrative and research expenses as a percent of revenue are expected to increase sequentially by approximately 100 basis points. This increase excludes the charge related to the retirement of our former CEO. It also excludes charges associated with phase one of our improvement program. Which are not expected to exceed $4 million. Gail?

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Thanks, Steve. Randy will now provide his comments.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Thanks, Gail. Good morning, everyone. First I would like to say how pleased I am to be joining Calgon Carbon's management team. I am convinced that focusing on emerging environmental markets should provide our Company opportunities for significant earnings growth. Based on what I have seen so far, I believe that the Company has the strong technological base, the financial strength and the right management to capitalize on these growth opportunities. As CEO, I now have the opportunity to directly influence how our goals can be achieved.

That being said, I will tell you that I am unhappy with the decline in the Company's gross margin. I also recognize that delays in regulations may slow the development of some of our growth markets, and that the competitive environment in some of our traditional markets has become more challenging within the last 6 months. In order to address these issues, it is absolutely clear to me that we must complete the cost improvement program that Bob outlined as quickly as possible. This is, in my opinion, just a phase one of an over all cost improvement strategy. As I continue to learn more and more about the day-to-day operations of the Company , I am hoping to utilize my experience working in the chemical industry to identify additional ways to reduce cost and to improve efficiencies. Therefore I do expect there will be additional phases to this cost improvement program. Details will be announced as we identify the initiatives and going forward we will provide quarterly updates on our progress.

In specific terms to our operations outside the U.S. and the challenges that we face there , I supported the creation of a Chief Operating Officer position with global responsibility and the appointment of Bob O'Brien to that position last year. With Bob's knowledge of our Company's products, markets and manufacturing processes and my 24-year experience working for a global company, we will be able to tackle the global issues we face, especially in Japan.

In summary, as I begin my tenure here as CEO of Calgon Calgon Carbon this Company is a Company with solid fundamentals and is recognized as a leading provider of environmental solutions. It has been well positioned in both its traditional and emerging markets which includes ballast water treatment, disinfection by-products, mercury removal and reactivation expansion. Many of the topics you heard about today. In my new role I will continue to support the Company's strategic direction, and I do look forward to taking the Company to the next level which includes significant and sustainable earnings growth. Thank you.

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Thanks, Randy. We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from the line of Ben Kallo of Baird.

Ben Kallo - *Robert W. Baid & Company - Analyst*

Hi, everyone. Welcome, Randy.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Thank you.

Ben Kallo - *Robert W. Baid & Company - Analyst*

On the margins front, was margin impacting the quarter because of a higher ballast water mix?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Ben this is Steve. It was, but frankly slightly favorably. That is an important revelation. The margins in our equipment business overall are actually very, very close to now and actually are slightly ahead of the carbon margins given the decline we saw in the carbon and service margin.

Ben Kallo - *Robert W. Baid & Company - Analyst*

Okay. That's interesting. And then, Bob, it seems like I don't know if you were downplaying the opportunity or if things are just taking longer on the ballast water now that you are running through your Korean contract, but could you just give us an update? In the past you talked about RP's you are responding to and anything you have seen on timing and when those move forward to contracts ?

Bob O'Brien - *Calgon Carbon Corporation - EVP, COO*

Well, up until this point, most of the orders have been received for ballast water treatment systemshave been supplied to new builds to new ships. So with the decline in new ship building that is going on this year, we are seeing a decline in opportunities in the supply of systems for new ships. It is our expectation that that will be dramatically overcome by opportunities on quote on retrofits or to basically quote to supply units to existing ships. We are starting to see more requests from operators of existing shipping lines to provide quotes for systems -- for again the existing fleets. It is difficult to predict exactly when those orders will start to come, but we are encouraged that we are seeing a high percentage of the quotes we are making are for these retrofit systems.

Ben Kallo - *Robert W. Baid & Company - Analyst*

And then on de-bottle necking efforts, first on the cost sides affecting gross margin, was there something new that happened in the quarter? I guess when you gave the expectations to the quarter that was underway, and then should we the bottle necking expect to contribute to Q4 or is it more of a 2013 type of contribution?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

This is Steve. In terms of the affects on Q2 as you no doubt remember, we did not anticipate a significant impact from the turnaround outages, but we did quite a bit of work at Pearl River when the plant was down . Again spent over $11 million in capital improvements . In total the project will probably cost at least $14 million. When the plant was done we did a significant amount of maintenance. Definitely was a big part of the total costs we incurred for the quarter. It will affect Q3 slightly, and then we should begin to see positive affects from the capital and maintenance efforts in the fourth quarter.

Ben Kallo - *Robert W. Baid & Company - Analyst*

We are still sticking to the 8 million incremental increase in volumes there or -- because of some of the work you are doing that can be higher?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

I think our best estimate right now is the 8 million, Ben.

Ben Kallo - *Robert W. Baid & Company - Analyst*

And then my final question, have you seen anything in the market place, any disruption from the NORIT acquisition of (inaudible)?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

We have not seen any change in the market place as a result of that acquisition.

Ben Kallo - *Robert W. Baid & Company - Analyst*

Great. Thanks, guys.

Operator

Your next question comes from Ryan Connors of Janney Montgomery Scott.

Tim Feron - *Janney Montgomery Scott - Analyst*

This is Tim filling in for Ryan. You said last quarter your margins in Europe were a head wind due to the pricing environment there. Your margins improved sequentially in carbon service so did that situation improve a little bit or are you still seeing a challenging pricing environment there?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

It is still challenging for us, but our margins in Europe were actually flat quarter over quarter. So in the comparison of the two periods there was really no impact from Europe.

Tim Feron - *Janney Montgomery Scott - Analyst*

And then my next question is last quarter you guys had a higher percentage of out source sales that also impacted your margins. Did that go away this quarter or was that a factor?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

It was not a factor. The factors were higher maintenance costs and higher coal costs. Those were the drivers to the margin decline in this quarter.

Tim Feron - *Janney Montgomery Scott - Analyst*

That does it for my questions. Thanks, guys.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Okay.

Operator

Your next question comes from Dan Mannes of Avondale.

Dan Mannes - *Avondale - Analyst*

Good morning, and welcome aboard Randy.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Thank you.

Dan Mannes - *Avondale - Analyst*

Sure. A couple of quick follow-up questions and I'm sorry I miss some of the prepared commentary. On Europe you have some currency head winds, but can you talk a little about maybe some of the other factors going in there in terms of both demand issues? And then secondly, any interaction. I know historically your issues were exacerbated because you export a lot of product to Europe. Can you walk through a little bit your overall European exposure?

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Overall, Dan, you know, we have increased our exposure to Europe by increasing our plant capacity by 30 million pounds as you know. We have been able to successfully fill some of that additional capacity, but certainly nowhere near all of it. As we look back a year pricing has been reasonable. It is a challenging market. It has been a challenge to grow as much as we hoped. But we are doing okay. Margins, again as we indicated, were flat year-over-year for Europe; which frankly with all that is going on is not a bad thing.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

The head winds have been from currency. If we go back a year the exchange rate was north of $1.40, and we are now $1.23 or something. We are going to lose in terms of year-over-year revenue from FX probably $3 million to $4 million.

Dan Mannes - *Avondale - Analyst*

Right, but in the past you are talking -- the currency is on the top line. But when you export products to Europe, don't you get double hit, and does the start of the Feluy facility, does that mitigate that to some degree?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Not really. Because we are still selling a significant amount of virgin carbon into Europe, and it is used as make up for the reactivation. So, you're right. There is an impact in that. Probably In total it has cost half a cent to a $0.01 cent in terms of earnings because of the FX issues. We try to hedge that exposure, but we don't do so fully and so there is absolutely an impact.

Dan Mannes - *Avondale - Analyst*

And then real quick on the mercury market, I heard your tone especially as it relates to the over capacity. Can you talk at all about unit level demand not just with the new products, but just generally given the reduction in output from a lot of the coal fired utilities. Is that hitting demand as well exacerbating the oversupply issue or are the utilities still using the similar volumes as to what they have used in the past?

Bob O'Brien - *Calgon Carbon Corporation - EVP, COO*

This is Bob. We are seeing our volumes going down in some customers. I'm sure you realize with the low price of natural gas if the utilities have the ability to switch from firing coal power plants to switch to natural gas power plants, That's what they are doing. We have seen volume decline, in a number of customers who have been able to utilize more natural gas and less coal. So that definitely is a factor.

Dan Mannes - *Avondale - Analyst*

Got it. Thanks for the color.

Operator

Your next question comes from Steve Schwartz from first analysis.

Steve Schwartz - *First Analysis Securities - Analyst*

Hi, good morning, everyoneWelcome, Randy.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Thank you.

Steve Schwartz - *First Analysis Securities - Analyst*

Can you give us an update on how the muni and industrial markets are looking right now? Both in the US, well primarily U.S., but also Europe.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

The municipal market in the U.S. is still progressing nicely. Sales were up 10% in the second quarter last year. I think I mentioned in my comments , we are seeing a number of utilities who are faced with disinfectant by-product regulation control and looking to adopt activated carbon as a technology of choice. We continue to see growth in the market. That's our expectation. So I think the growth is in line with the expectation in the U.S. In Europe, I think the business in potable water has been steady.

Sales, I believe, are up slightly in the second quarter over last year. So this business continues to be solid. We are concerned that or we continue to be concerned with the European economy and whether we will in fact see an impact on our municipal business. Right now the problems in Europe are more in the southern countries, Spain, Italy . And more of our business tends to be in northern Europe, so we haven't completely seen an affect of that. But it is something we are certainly watching. And in terms of the total industrial market as it impacts us , comparing last year's second quarter to this year's it was essentially flat.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay, and then just as my follow-up with respect to the equipment business, you had a very strong first quarter at $16 million or so in revenue and $20 million here in the second quarter, it sounds like things are going to normalize again for revenue. Can you give us some idea where that number might fall for the second half of the year? Are you going to go back to $12 and $13 million revenue quarters?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Certainly at this point without some significant new ballast water orders being booked we're going to see a decline. Through six months we've achieved $36 million revenue this year compared to a little less than $21 million a year ago. And many of you know our traditional equipment revenues total $45, $46 million annually. So we will certainly exceed that. We will probably decline and I'm sure it will be $12 million may not be a bad estimate for Q3. It will depend on how many new orders we are able to book frankly.

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Steve Schwartz - *First Analysis Securities - Analyst*

That's helpful. Thank you.

Operator

Your next question comes from JinMing Liu from Ardour Capital.

JinMing Liu - *Ardour Capital Investments - Analyst*

Good morning.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Good morning. (multiple speakers)

JinMing Liu - *Ardour Capital Investments - Analyst*

Can you share with us what is your current coal situation? What percentage is contracted and what percentage is open to market?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Sure, we can do that. At the moment we have -- for the balance of this year we will have over 60% of our needs hedged , and frankly that's what we desire. It is about two-thirds. As we look forward to next year we have over half of our coal needs edged, and we are comfortable at the moment. That's where we want to be. That's where wend stand. We are always looking at opportunities and testing coals, but that's our present situation.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay, switch to your CCJ Japan division. How much was the sale for the last quarter for that division and what are you going to do to improve margins over there?

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

We haven't given that number, and we have said that historically Japan sales in total have been in the $70, $75 million range. I would say only that in the second quarter it was a little below that run rate.

Bob O'Brien - *Calgon Carbon Corporation - EVP, COO*

Projection a margin standpoint -- this is Bob -- we see a lot of opportunities to improve our cost position. Warehousing, transportation , efficiencies in the operation of our reactivation facility and frankly having the right staffing level for the business we have in Japan. We have a number of activities going on that are aimed at improving our margins by improving our cost position.

JinMing Liu - *Ardour Capital Investments - Analyst*

Lastly, just for a long term view, if central gas stays low and the many utilities are looking at retire their coal generatingcapacity, what's your plan in terms of (inaudible) and long term capacity planning for your active carbon production related to that.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

I think that chapter has yet to be written. I think the utilities have decisions to make as you suggest relative to the price of coal and the price of natural gas. In the short-term natural gas is certainly attractive, and so the power industry is firing all of the natural gas facilities they possibly can. I think it is much more difficult to predict what is going to be the relative cost position of natural gas and coal 5, 10, 15, 25 years from now, and that's what the power industry is going to have to struggle with. What are the costs of fuel going to be? Our decisions and how we prepare for production volume to meet the needs of the power industry are going to be determined basically on how the power industry is making decisions on what they view their long-term energy source will be.

JinMing Liu - *Ardour Capital Investments - Analyst*

Thanks.

Operator

Your next question comes from Kevin Maczka from BB&T capital markets.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Hi, good morning this is actually Nick Prendergast standing in for Kevin this morning.

Good morning. I just had a quick question here on Japan. I know you commented on the -- that you had some upper management shifting going on. Do you feel you have filled the necessary key positions there, or are you working on filling some holes?

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

We have them most filled. I think we have one more key position left I would like to fill. We have the top positions filled and we have some very good people. I think they will be helping us definitely move in the right direction at CCJ.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Got it. And I guess shifting to Hyde, in the past as orders were ramping you were adding to the staffing , now it looks like your backlog is expected to drop off. Have you maybe tapped the brakes on some your activity within Hyde?

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

We have been watching that closely. It is a challenge for us, obviously because we do expect at some point in time a tsunami of orders to come, and so we are trying to balance our position of how we staff up to handle that yet keep control of costs. I think we're in balance. It is certainly something we are watching very, very closely.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Got it. And then if I could just one more question regarding your capacity, can you maybe just update me where you guys are now and the status of some of your expansions.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

In the US from a virgin carbon perspective, we will say that once Pearl River starts up here shortly we will be 148 million pounds of granular virgin production capacity and we talked about our reactivation expansions around the world. And mentioned on the call that we are not realizing full benefit from them. Mainly Suzhou in China where we have a 13 million plus pound facility that we are not yet really getting any benefit from. In fact, it has probably been a net burden to our costs. And then in Europe we added 30 million pounds of capacity that is up and running but not build.

Perhaps there is 10 to 20% close to 20% capacity that remains for us there that we can eventually fill. In the U.S. from a reactivation perspective we still have the North Tonawanda plant that we have yet to start up. Hope to do that later this year. Another 12 or 13 million pounds of capacity. Quite a bit of capacity remains available to fill, and we do expect future growth from that capacity.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Great, I really appreciate it. Thank you very much.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Sure.

Operator

Your next question comes from Doug Thomas from Jet Investment Research.

Doug Thomas - *JET Investment Research - Analyst*

Good morning. I wanted to add my welcome as well to your new role.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Thank you.

Doug Thomas - *JET Investment Research - Analyst*

I also look, I know you didn't decide to take the job for the second quarter or probably not the third quarter either. So I'm wondering if maybe -- everybody is focus on near term stuff these days, and maybe that hasn't change, but I would be interested if you could talk about in some depths maybe your decision to take the job. What's your long-term -- what should we think about when we think about Calgon over the intermediate term? Or what are your visions for what this company should look like a couple years out? And then can you -- if you wouldn't mind tying that to this idea I have in my head about alignment with shareholders. Obviously you are very familiar with the Company, clearly the history of the Company. We have management with significant share holdings in Calgon and I thought maybe you could talk about what your expectations are with regard to how we should also view compensation tied to performance.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Let me begin by answering the question why I joined the Calgon team. Like you said I have been on the board for the past four and a half years. I truly understand what the Company is about, what they are focused on and what their direction is. I totally support that. As I previously said in my comments being focused on environmental solutions. Because I do have a good technology base and good people to do that. What I hope to do -- again that's the why and the what in terms of our strategy. I can now influence the how. And I think this is what is exciting for me to come in with this team and technology and working with a great Board and being able to take it one step further. We look at how we run our globally. Bring my experience from Bayer, from LANXESS into play and be able to, againadd value to shareholders and to move the Company. That's essentially why I took the job. In terms of what I am going to bring, you did refer to the short-term. We have to improve our margins. We have to get to this as quickly as possible.

For those who knows LANXESS, LANXESS is indeed a restructuring story. From day one when I took over as CEO, it was absolutely imperative that I come in and be able to focus the team and the organization on process improvements, cost reductions. It was part of our survival , and the Company eight years later is doing well in that. I will be bringing a lot of those techniques and alot of those procedures and policies, processes into play, and we will look into each and every one of those. With regard to holding employees accountable for results, that's all going to tie into that. Once it is absolutely clear the direction we are taking the Company, the employees will be clearly held to the KPI's we set forth, and again it's going to the shareholders ultimately. A lot of work to do, I'm very excited about it, but I'm absolutely convinced with the fundamentals of this Company and the fundamentals of this market we are in we are going to get there.

Doug Thomas - *JET Investment Research - Analyst*

The only other question, obviously I wish you the best of luck , someone referenced the NORIT transaction and this is the second time we have seen a deal with NORIT in the last few years. By any valuation and analysis Calgon is trading at a significant discount by my estimate either of the last two transactions. I'm just wondering if you -- and I am not asking you to talk about a competitor or deal prices and so forth, but what is it do you think investors are missing when it comes to the long-term replacement value of the assets that you have or the diversified portfolio? I think about the equipment sales, I think about all of the stuff you have that they don't have. Is it just a complicated story where you feel like you need to execute better to get people's attention focused back on the real value of the Company?

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Hi, this is Gail. Yes. This is a complex Company , as you know. I think that it has been difficult both the sell side and the buy side to really get their arms around the entire Company. It is something Randy and I will be working on, and of course Steve as well,will be how we present the Company. How we can make it easier for people to understand what we are and the value we bring.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

And I will just add to that. From the experience I have had this is one way I can help the Company move ahead. There is a tremendous positive story to tell at Calgon , and we will be telling that story. Even as the disinfection by-product market is an example. People are really getting upset about these by-products and we're there with a solution. We need to be with our legislators and we need to be with those that are concerned. We need to be out there. That's marketing the Company and marketing the technology we have. You will see a lot more of that in the coming months.

Doug Thomas - *JET Investment Research - Analyst*

Thank you very much. Thanks, Gail.

Operator

(Operator Instructions).Your next question comes from David Rose of Wedbush.

David Rose - *Wedbush Securities - Analyst*

Good morning. I just had one follow-up question. I was wondering if you could quantify the margin impact from reduced sales of the Dallas water [inaudible] margins look like the first quarter or somewhere between the first and second? Thank you.

Gail Gerono - *Calgon Carbon Corporation - VP-IR*

We have never talked about the margins in the equipment business, and I don't think we are prepared to do that now.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

No, David I would just add that the margins between the carbon and service equipment businesses have grown very, very close together. So they do not diverge significantly at this point.

David Rose - *Wedbush Securities - Analyst*

Even with the decline in sales from the equipment

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Even with -- yes. It will not make a big difference.

David Rose - *Wedbush Securities - Analyst*

Great, thank you.

Randy Dearth - *Calgon Carbon Corporation - President, CEO*

Sure.

Operator

At this time there are no further questions. I would like to turn the floor back over to management for any closing remarks

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Gail Gerono - *Calgon Carbon Corporation - VP-IR*

Thank you for participating in the call. If you do have additional questions please give me a call at 412-787-6795. Thanks.

Steve Schott - *Calgon Carbon Corporation - SVP, CFO*

Thank you.

Operator

Thank you. This concludes today's conference. You may now disconnect.