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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Calgon Carbon Corporation fourth quarter 2013 results conference call. All lines have been placed on muteto prevent any background noise. After the speaker's remarks there will be a question-and-answer session. (Operator Instructions). We ask that you please limit your questions to one and one follow-up. Thank you. I will now turn the call over to Gail Gerono, Vice President of Investor Relations, please go ahead.

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

Thanks very much. Good afternoon, and thank you for joining us. Our speakers today are Randy Dearth, Calgon Carbon's CEO, who as we announced yesterday will add Chairman of the Board to his title on May 1. Rob O'Brien, our Chief Operating Officer, and Steve Schott, our CFO. The presentations will follow our standard format. Opening remarks from Randy, review of the third quarter financials by Steve, and an operations report from Bob, then Q&A.

Before we begin, please be advised that the Private Security Litigation Reform Act of 1995 provides a Safe Harbor for forward-looking statements. Today's presentations or perhaps some of the comments of Calgon Carbon's executives make during the Q&A may contain statements that are forward-looking. Forward-looking statements typically contain words such as 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 Provisions of the Private Securities and 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 during this webcast. Further the Company operates in an industry sector where our 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 the performance of the Company are changes in or delays in the implementation of regulations that cause a market or a product acquisition higher energy and raw material costs, costs of imports, and related tariffs, labor relations, capital environmental requirements, 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 call and webcast, 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. Randy.

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

Thanks Gail, good afternoon everyone. Calgon Carbon's solid financial results for both the fourth quarter of 2013 and the full year were driven primarily by the successful implementation of our 2013 initiatives, including our global cost and efficiency improvement program. Although we were successful in improving various metrics, I am particularly pleased with the increase in gross margin percentage over the past year. On the first quarterly conference call after joining Calgon Carbon, I told you that I was unhappy with the decline in the Company's gross margin, and I subsequently made margin improvement a top priority at Calgon Carbon.

The sequential increase in the fourth quarter gross margin from 33.3% to 34.3% represents the fifth consecutive quarter of improvement in that metric. During my first quarter as CEO our margins were 27.3%. In comparing that with our most recent results, it shows an increase of 700 basis points. We have made excellent progress in this area, and margin expansion will continue to be a priority in our long-term strategy for profitable improvement.

In addition to the benefits derived from the cost improvement and efficiency program, process improvements made last year at our Pearl River plant also had a positive impact on the results for the year, including lower operating expenses, and realization of the approximate 8 million pounds of additional virgin carbon capacity. Our product rationalization program which eliminated 45% of our SKUs, also contributed to lower operating costs at our carbon manufacturing facilities.

Let's talk about revenue for the year. When comparing 2013 to 2012, we note that we had lower sales at Hyde Marine, lower pricing in the mercury market, and unfavorable foreign exchange, which totaled approximately $39 million. These losses were partially offset by our approximate $10 million price increase in our Carbon and service segment, as well as growth primarily in our C&S segment. We will continue to review the sales margin relationship, but in the short-term we remain focused on sales that improve margins, especially those based on the Carbon that we manufacture. The improvement in other metrics clearly demonstrates that our success in 2013 was not limited to margin improvement.

For example, operating expense year-over-year decreased by $10.4 million. As a result, operating expense as a percent of sales improved from 16.6% in 2012 to 15.1% in 2013. EBITDA as a percentage of sales increased from 11.3% to 17.6%. And of course, 2013's net income of $45.7 million compared very favorably with the $23.3 million for 2012. I will be back later in the call to discuss certain strategic opportunities.

In the meantime, Steve will present a summary of the financial results for the fourth quarter, and Bob will provide a review of operations. Steve?

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

Thanks, Randy. Good afternoon everyone. Total sales for the fourth quarter of 2013 were $133.1 million, versus $141.8 million in the fourth quarter of 2012, a decrease of $8.7 million, or 6.1%. Currency translation had a negative impact of $1.6 million for the fourth quarter of 2013, due to the weaker Yen.

Regarding our segments, sales in the Activated Carbon and Service segment decreased $10.9 million, or 8.6% for the fourth quarter of 2013, compared to 2012's fourth quarter. The decrease was primarily due to several factors including lower demand for granular Activated Carbon for municipal drinking water in Asia of approximately $9 million that resulted from a large 2012 Carbon fill, and earlier than expected 2013 deliveries to our customers in Japan. In addition, pricing for powdered Activated Carbon for US mercury removal stemming from the 2012 renegotiation of a prior five-year contract reduced our fourth quarter 2013 revenue by $3.2 million. Finally, currency translation had a negative impact of $1.6 million on sales for the fourth quarter due to the weaker Yen.

Partially offsetting these declines was an increase in demand for Activated Carbon products and services in the environmental water treatment market. Equipment sales increased $1.5 million, or 12.4% for the fourth quarter of 2013, compared to 2012's fourth quarter, primarily due to higher revenue for traditional Carbon equipment of $1.9 million, partially offset by lower revenue for ballast water treatment systems.

Sales for the consumer segment increased approximately $700,000, or 25.1% for the fourth quarter of 2013, compared to 2012's fourth quarter . Net sales less the cost of products sold before depreciation and amortization as a percentage of net sales was 34.3% in the fourth quarter of 2013, compared to 31.2% in the fourth quarter of 2012, an increase of 3.1 percentage points. The increase was in the Activated Carbon and Service segment due to improved plant performance, ongoing cost improvement initiatives, and our 2013 price increase.

Depreciation and amortization expense was $7.5 million in the fourth quarter of 2013, compared to $6.6 million in the fourth quarter of 2012. The increase was due to increased depreciation related to the Company's new Gila Bend Arizona facility that was placed into service in the second quarter of 2013, as well as for capital improvements at the Company's Pearl River facility that were finalized in early 2013. Regarding our Pearl River plant, the combination of better year-over-year performance coupled with the plant's increased capacity of 8 million pounds, collectively provided us with an additional 13 million Virgin Carbon pounds of production in 2013 compared to 2012.

Selling Administrative & Research expenses were $22.2 million during the fourth quarter of 2013 versus $20.5 million in 2012, an increase of $1.7 million, or 8.4%. The 2013 fourth quarter increase was due to several factors. Higher employee incentive compensation expense, which increased $1.1 million, due to our strong 2013 performance. In addition, costs for strategic initiatives in the fourth quarter of 2013 totaled approximately $400,000, and related to our study of a possible master limited partnership formation and associated impacts. Finally, we had approximately $300,000 of pension settlement charges in Europe that are not expected to recur.

As a reminder during the fourth quarter of 2012, the Company recorded $2.3 million of restructuring charges, primarily for US pension settlement charges, and all within the Carbon and service segment. 2013's Other income and expense benefited from a $500,000 reduction to a previously recorded acquisition earnout liability. The income tax rate for the fourth quarter of 2013 was 30.8%, while the Company's full year 2013 tax rate was 32%.

In summary, our net income for the fourth quarter was $11 million, or $0.20 per diluted share, versus $9.1 million, or $0.16 per diluted share in 2012. Turning briefly to our Company's business segments the Activated Carbon and service segment recognized approximately $23 million in operating income before depreciation and amortization and restructuring in the fourth quarter of 2013, compared to $22 million in the fourth quarter of 2012. The increase was due to the previously discussed improved Virgin Carbon manufacturing plant performance and cost improvements, as well as a favorable product mix. Higher pricing on certain Activated Carbon and services also contributed to the increase.

The equipment segment recognized a $300,000 operating loss before depreciation and amortization in the fourth quarter of 2013, compared to a $1.2 million operating loss in the fourth quarter of 2012. Losses in this segment are driven in part by our level of preparedness for the expected growth from ballast water treatment. We are committed to improving the profitability in this business segment, whether or not additional sales of ballast water treatment are realized in 2014.

Our backlog at December 31, 2013, is only $19.4 million, and while ballast water treatment interest remains high, sales have not materialized as quickly as desired in the absence of the IMO ratification, and other issues related to the US Coast Guard and EPA. The consumer segment recognized $800,000 in operating income before depreciation and amortization, in the fourth quarter of 2013, compared to $600,000 in the fourth quarter of 2012. Our Carbon cloth business continues to yield positive results.

Regarding our balance sheet, cash increased during 2013 and at December 31, 2013, we had approximately $33 million of cash. Receivables were $97 million as of December 31, which was $4.9 million lower than year end 2012, driven by the fourth quarter sales in 2013. Inventories were $109.5 million as of December 31, 2013, which were $2.3 million higher than year end 2012. Earlier in 2013, we elected to maintain a higher level of high quality co-inventory during our pursuit of new long-term core contracts. With those contracts now executed, we expect this inventory will decrease in 2014, and coupled with favorable impacts from our product rationalization initiative, we are targeting consolidated inventories of less than $100 million by year end 2014.

As of December 31, 2013, the Company had total debt outstanding of $34.3 million, which represents a decrease of nearly $30 million from year end 2012, and relates to repayments for borrowings at both Calgon Carbon Japan and those under over new US credit facility. Operating cash flow during the fourth quarter of 2013 was strong, and totaled $27.6 million. Capital expenditures remained low, totalling only approximately $8 million. Our capital spending for the full year 2013 was approximately $30 million. However, as Bob will discuss, we have identified numerous capital improvement and expansion projects that we expect to undertake in 2014 and our spending for organic growth opportunities will increase significantly.

Finally, with an incremental $100 million Board authorized share repurchase authorization made in mid-December, we embarked on an open market share repurchase program. Through this program's scheduled termination on February 12th, we acquired 928,700 shares deploying approximately $19 million.

I will now turn it back over to Gail.

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

Thanks very much Steve. Next Bob will present the operations review for the quarter. Bob.

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

Thanks Gail. Let me start with our manufacturing area, where we have a number of activities underway. First, our Virgin Carbon production facility, Big Sandy in Kentucky and Pearl River in Mississippi continued to operate well in Q4 producing at full capacity. The investments that we made at our Pearl River facility in 2012 are performing at or above our expectations. In 2013, as part of our cost improvement and efficiency programs we initiated a number of capital projects at our Big Sandy plant. Many of these projects, which included investment s to improve the consistency of our steam supply, and increase our coal handling capabilities, will also increase our capacity by approximately 5 million pounds per year. Further, building on the success of our Pearl River expansion, the Board has also recently approved a $17 million capital upgrade to one of our three existing Big Sandy production lines, which is again targeted to reduce costs while increasing our production by an additional 9 million pounds per year. This important project is expected to be completed in early 2016.

In addition to our capital investments, our operational excellence program where we have engaged an outside consultant to critique, challenge and modify our operating methods and procedures, is proceeding as planned. The work of the consultant will wrap up in Q2 of 2014. Further, it should be also noted that during the fourth quarter, we successfully negotiated two 3-year coal contracts that should provide significant savings per ton going forward. We now have 70% of our coal needs under long-term contracts.

With our expectations for future growth in the Activated Carbon market in the Americas and in the rest of the world, we are continuing to explore additional options for expanding our Virgin Carbon production capabilities. One option under consideration is the construction of a second production line at our Pearl River facility. We have initiated an engineering project to complete the basic process design, confirm capital and operating costs, and initiate environmental permitting efforts for this new line. The engineering project will be completed in 2014.

On the Reactivation side, we are in the process of starting up our new potable water reactivation facility in North Tonawanda New York. We expect it to be fully operational shortly, in time to handle our potable water reactivation demand, which typically increases in the spring. We have also commenced work on a $30 million project to modernize and upgrade by more than 40% the capacity of our industrial reactivation facility on Neville Island. Again this project which we expect to complete in 2015 will also generate operating cost savings. Finally, the modernization and expansion of our potable water react division facility at Tipton in the UK is proceeding on schedule, with the start up of Phase One expected in Q4 2014.

Shifting to the commercial side, in the US municipal water disinfection byproduct market new projects continue to develop. In Q4 of 2013, we identified and are pursuing 11 projects having an initial equipment in Carbon supply opportunity of $4 million. Recently the chemical spill into the Elk River near Charleston, West Virginia, which effected the drinking water supply of hundreds of thousands of people, highlighted another major benefit that granular Activated Carbon can provide to the water treatment industry. This benefit is especially meaningful to those water facilities that obtain their source water from a river or lake which is subject to industrial activity.

The US EPA toxic release inventory as reported by Bloomberg indicates that there were 1,374 spills of 287 different chemicals into the US waterways in 2011 by industrial facilities. Approximately 25 years ago, the city of Cincinnati, Ohio, recognized the vulnerability of their water facility to chemical spills based upon their location on the Ohio River. Therefore they designed and installed appropriately-sized Activated Carbon filters and reactivation equipment which provide protection to their customers from chemical spills. As well as a number of other additional treatment benefits, all at a very affordable cost.

Based on the ongoing operational success at Cincinnati we're working to explain the benefits and advantages of granular Activated Carbon treatment to state and federal lawmakers and regulators, who are interested in finding ways to prevent chemical spills from seriously affecting other communities.

Shifting to the mercury control opportunity in the US, as expected bidding activity was slow in Q4. We do not believe the activity level will increase until at least Q2 of 2014. It appears the EPA has granted one year extensions to approximately 170 coal fired generating units out of a population of over 900. This number is in line with our expectations.

Our advanced products continue to perform very well during planned trials conducted in Q4, we are currently scheduled to participate in trials at seven utilities over the next four months. Our R&D efforts remain focused on improving the performance of our products, and reducing their manufacturing costs. In the ballast water treatment market, we received 14 orders for new systems in Q4, for a total of 64 orders in 2013. The order level in 2013 was consistent with the orders received in 2012. The average water value in 2013 was slightly lower than that in 2012 as the equipment size was slightly smaller.

The number of requests for proposals that we receive has been increasing, especially for retrofit opportunities. It is our understanding that at this time, no ballast water treatment system supplier has officially submitted an application to begin testing to obtain US Coast Guard type approval. We do believe the EPA and the US Coast Guard technical panel is continuing to make progress in the development of a test protocol for UV filtration based systems that would become the basis for type approval testing and certification.

We along with other suppliers of UV systems are actively providing information to the panel. Since no US type approved systems are currently available in the marketplace, the Coast Guard has been favorably responding to ship owner's requests for extension to their ballast water treatment compliance states. On their website,the Coast Guard has officially listed 17 extensions to a date of January 1st, 2016. We expect there will be more.

In spite of the availability of AMS systems like our High Guardian, these extensions will have a negative effect on the immediate market for ballast water treatment systems, and we're monitoring the situation closely to determine the actual effect. As it has for many months ratification of the IMO ballast water treatment regulations remains very close. We remain optimistic that the ratification will occur in 2014, perhaps as early as the second quarter. We continue to work to improve our product offerings to the market, and in Q4 I introduced the Gold product line. This new line utilizes screen filters which require significantly less floor space than our disk based filtration systems to treat a given flow rate. As available space in the ship is highly priced especially on existing ships, we believe this additional product line will find favor among many ship owners. The feedback from the marketplace to date has been positive.

That concludes my remarks. I will now turn the call back to Gail.

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

Thanks Bob. Next Steve will comment on the outlook for the first quarter. Steve.

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

Thanks Gail. Sales, our first quarter sales are expected to decline slightly sequentially. Net sales less cost of products sold as a percentage of net sales while expected to continue to improve for the full year of 2014, is expected to be flat or show only a modest increase sequentially. Operating expenses are expected to increase slightly sequentially, in January we launched our SAP reengineering project. This is a significant project, aimed at substantially improving our ERP system functionality. We estimate this project may increase our operating expenses by as much as $1 million in each quarter of 2014. Finally, we expect our 2014 full year tax rate to be approximately 34%.

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

Thanks Steve. Next Randy will discuss certain strategic opportunities.

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

At our Investor Day, Steve spoke about our strong financial profile, and I identified four different strategic opportunities to increase value through deployment of our balance sheet. These include M&A, investing in existing plants, investing in new production facilities, and returning value to shareholders.

Let's discuss M&A first. I have nothing to announce today, but identifying acquisition candidates is an ongoing effort with a focus on strengthening our Activated Carbon and related service business. We do have a team in place that is evaluating various candidates. Next, investing in existing plants, at Investor Day I reported that demand for Activated Carbon is expected to grow at a 10.8% compounded annual growth rate from 2012 through 2017. In order to capitalize on the significant increase in demand, we must consider expanding our Virgin Carbon production capacity.

In his remarks, Bob mentioned capital improvement projects underway that will also incrementally increase Virgin production capacity. In fact, we expect to realize more than 18 million pounds of virgin capacity in 2016 as a result of those projects. Let me note that these incremental pounds are in our cost improvement program which I will address shortly.

We will continue to look for and invest in projects that both improve the cost and efficiencies of our existing plants, and at the same time add incremental production capacity. However, in order to take full advantage of the projected increase in demand for Virgin Carbon in the coming years, we must look to another source for additional capacity. As I discussed at Investor Day, selling more outsourced product is a possible solution but this approach would dilute our margins.

That brings us to our third option for utilizing our balance sheet to create value, building a new Carbon manufacturing facility. Over the past 18 months we have given serious consideration to building a Greenfield facility. Preliminary cost estimates are higher than we expected, but we will continue to explore this option. In the meantime, as Bob said in his remarks, we are beginning an engineering study to determine the feasibility of adding another line at our Pearl River plant that could increase our annual Virgin granular production capacity by more than 50 million pounds. We will also continue our efforts to increase the amount of Virgin Carbon available for sale by converting US municipal customers who currently use only virgin Carbon to customer reactivation. This frees up Virgin capacity that can be sold to new or existing customers. As a reminder, to date we have been successful in converting more than 70 water treatment facilities to customer reactivation in the US.

The fourth opportunity to create value by utilizing our balance sheet is to return capital to our shareholders. Since November of 2012, we have completed two share repurchase programs, a $50 million ASR, and a $19 million open market repurchase program that we completed last week. We intend to continue repurchasing shares having the authority for over $130 million of additional purchases. The investments in our plants and the two stock repurchase programs clearly demonstrate our commitment to use our balance sheet to enhance shareholder value. We intend to continue to do so, keeping in mind the importance of finding the proper balance between investing to strengthen our Company's position in the marketplace and returning capital to our shareholders.

As I conclude, let me provide you with an update on our cost improvement program. Phases One and Two are complete, and for 2014 will contribute not less than $20 million of benefits. Phase Three initiatives are well under way and should begin providing most of the savings in 2015 and 2016.

Let me remind you that the Phase Three initiatives include benefits from our new investment projects, full implementation of our long-term coal contracts, and efficiency improvements through our plant optimization project. We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We ask that you please limit your questions to one and one follow-up. Your first question comes from the line of Kevin Maczka of BB&T Capital Markets.

Kevin Maczka - *BB&T Capital Markets - Analyst*

Thank you. Randy, first question, you obviously have been making great progress on the cost side, but I want to start with the top line. You mentioned, you are mentioning again the 10% CAGR forecast that we see, and I'm trying to square that with our Activated Carbon revenues being flat or slightly down the last two years, and I guess we're forecasting down again as we go into Q1. Can you just talk a little bit about the core business X mercury, and how did we do in 2013 from a volume and price standpoint, and if we freed up I think Bob said 13 million of additional pounds how are we not getting more volume lift?

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

Good afternoon, Kevin. Let me start first by talking a little bit about revenue, and the 10.8% CAGR. The 10.8% CAGR that we presented to you in Phoenix really focused on the fact the mercury market will be developing in 2015 after the mass ruling takes effect, and also the fact that we see tremendous opportunity growing in China in the coming years. So that addresses the 10.8.

When you look again at our revenue year-over-year, let's break that down again. Hyde Marine for instance we're looking at a number there year-over-year of a $15.5 million difference from 2013 to 2012. As Steve pointed out the exchange rate, again year-over-year $11.6 million. Not insignificant. And we mentioned the mercury market. Indeed that is one customer within the mercury market that year-over-year, not because of volume but strictly because of pricing was down $11.7 million. So those three in and of themselves is a $39 million year-over-year decrease. Bob you want to comment on the capacity?

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

I think just further to your point, we are growing the Carbon and service business but it's being masked by those three negatives or headwinds that we faced in 2013. So we are seeing growth now as we explained I think when we were in Phoenix capacity is tight on our Virgin Carbon plant so we are making sure number one that we're selling those products to the people who are willing to pay us frankly the most money, and see the value of the products that we deliver. And we're continuing to look at ways to incrementally increase that capacity and certainly we talked about that today.

In the short-term, besides those actions, we need to continue to look to fill up the capacity that we have in our reactivation facilities, and we are making progress there across the world. Our capacity percent utilization is increasing in Europe, it's increasing in the US, and it's increasing in China. So we're making headway there. We need in the short-term to be a better distributor of products that we purchase from Asia, and that's one of our focuses in 2014, and we're doing that. So we think we are growing in the Carbon and service market in 2014, and certainly then in anticipation of bigger growth rates in 2015, with the mercury market taking hold.

Kevin Maczka - *BB&T Capital Markets - Analyst*

We've always described the core business as kind of a GDP type grower. Again when you back out mercury and Hyde and just think about the core Carbon business, did we have that kind of experience in 2013, and is that again the way to think about it, is that what you're describing, Bob, for 2014?

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

Yes, I think the core business does grow relatively around the GDPs, and then I will use the word kicker, it's based on regulations, because a lot of our business is environmentally oriented. So there are new regulations that are adopted in a given country that affect drinking water standards or waste water standards or air standards, that can be a significant boost to our opportunities, and of course that's what we're looking for in the US in the mercury market, and which we've been seeing in the water treatment market, and this affects the byproducts for the last few years. I think our core business is strong, is growing relative to the GDPs of the various markets that we're in, and then any changes in regulations or additional regulations give us the opportunity to grow in the environmental markets.

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

And Kevin if I could jump in again just to add on what Bob said, and I have said this many time to our shareholders, 2013, 2014, we have been looking at our traditional business and looking at the margin improvement knowing that mercury is in 2015, and is out there. We're at the foothills of that right now , and I'm really pleased, despite these three major revenue headwinds if you will, I'm really proud of the fact that our team focused on the margin, taking out the products we took out, really focused on some higher end customers and end markets, and I'm really proud and successful that we've been able to do that. With now our advanced Fluepac products we're really positioning ourselves for the mercury space, and that excites us quite a bit.

Kevin Maczka - *BB&T Capital Markets - Analyst*

And the final follow up for me on that point, I guess, so if we're running effectively sold out in Pearl River and Sandy, the way that you can sell more in the core business is if you add new capacity, raise price or maybe even do more outsourcing, which I guess you would probably not be the first choice. But new capacity it sounds like you're evaluating, but that's a slow process to bring onboard. Price increases you've already done some of that, and you're not very keen on further outsourcing. So again, revenue is down sequentially in Q1, is that kind of the way to think about the core business for at least the next few quarters?

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

Well, I think you may have miscast our desire to sell outsourced products. I think that is part of our strategy, and if the demand increases in the US as we expect, what we'll be doing is keeping more of our production capacity, or keeping more of the product that we make in the US in the Americas. And we will shift more of our business in Europe and Asia to outsource. So selling more outsourced product is one of our growth strategies. As Randy mentioned, we would sell that at a lower margin, but it still would be an attractive sale for the Company. It would increase our top line and also increase our bottom line. I think you should think in the short-term again that keeping the products we make in the US at home, and looking to sell more outsourced product in Asia and in Europe is the way we're going to grow in the Carbon and service business. Along with filling up our reactivation capacity, because that is an area where we do have adequate capacity to increase sales in all regions of the world.

Kevin Maczka - *BB&T Capital Markets - Analyst*

Okay. Got it. I'll get back in line.

Operator

Your next question comes from the line of Michael Gaugler of Brean Capital.

Michael Gaugler - *Brean Capital - Analyst*

Good afternoon everyone.

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

Hi, Mike.

Michael Gaugler - *Brean Capital - Analyst*

Just some housekeeping items. On the gross margin, did you get a bump basically due to the decline in sales in Japan?

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

Yes. Modest but yes.

Michael Gaugler - *Brean Capital - Analyst*

Okay. And the other item, I know you had guided to a slightly higher tax rate, I think as recently as last quarter, and it came in a little better than anticipated. Was there anything behind that?

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

Mike just same call them housekeeping items. When we filed our 2013 tax return, our 2012 tax return, sorry, we noticed an incremental benefit to some of our assumptions we had made around the domestic manufacturing deduction, and so with that recognizing in the third quarter we adjusted in Q4 slightly to reflect the appropriate 2013 benefit. The lower sales in Japan also helped. That's our highest tax jurisdiction at over 40%. There were a combination of factors. In the full year at 32% benefited approximately two full percentage points from the Datong sale that we had in the first quarter. So taking them out, you normalize the 34% and that's what we think the rate will be in 2014, as well.

Michael Gaugler - *Brean Capital - Analyst*

Okay. Thanks, guys. Appreciate it.

Operator

Your next question comes from the line of Ben Kallo of Robert Baird.

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

Thanks for taking my question. As far as capacity expansion goes, you talked about greenfield, and then moving on past that to brownfield Pearl River. I remember talking about expanding Pearl River six or seven years ago. Why even look at a greenfield there? Are there obstacles at brownfield at Pearl River, and when you decide green light how long does it take to get that up and running? Is there still permitting there to do?

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

Well, we're trying to find the long-term, having the production in place in the right area that would allow us to make product competitively for the next 20 or 30 years. So having the plant situated where we think we can have good coal supplies that allow us to make products which are very competitive in the marketplace is a consideration. So as we're looking at how we expand or where we expand, that is a big part of our decision, where do we think we can have good coals and competitive costs. We looked at a number of different sites, and at least at this stage Pearl River seems like it could be an attractive market. We still have attractive area. You call it a brownfield site. It's an existing plant location, right? When we built the Pearl River facility in 1991, we laid it out actually to be able to have three production sites, so the infrastructure is in place to allow it to be expanded relatively economically, and much more economically compared to a greenfield site. So that's one of the things that we are taking into consideration.

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

And as far as timing, would you have a green light there if you decide to move forward?

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

It would be close to three years from now, two and a half to three years from now.

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

Okay. Thank you. On the react side, it looks like you're continuing to build out capacity on react. Can you talk about why that is, what is driving that decision? And then we have talked about for a long time moving Virgin to react, free up Virgin capacity. Is there any way you can quantify how much of that has actually been done so far?

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

Okay. Your first question on industrial capacity, our big reactivation facilities industrial in the US are at Neville Island just outside of Pittsburgh here, and in our Catlettsburg, Kentucky facility. Both of those furnaces are fairly old and go back into the 1970s, so both of them are in need of some major upgrade from a maintenance standpoint. So we decided that the Neville Island site was the best one to make first investment from a modernization, and we also looked at what we can do from a capacity standpoint and for a relatively small amount of money, we were able to have a fairly significant increase in capacity. So we're actually planning for the future, and if the market doesn't really grow, we'll be able to handle the majority of our needs at the Neville Island facility and drive our costs down. So we basically made a strategic decision. We had to spend money there, and adding a little bit more capacity just seemed like a pretty good decision to make.

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

Great. And my last question, Bob, when you look at just the overall market and capacity out there, can you just update us where we are on, I know each market is different, but maybe focus on the mercury market where we are on supply and demand, and where you expect that to shake out in a year, if new capacity is coming online anywhere that you see any thoughts that you have there? Thanks.

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

Yes. I don't think we're aware of any new capacity coming online in the US for any Virgin Carbon product targeted for the mercury market or not. I think we have continued to say the range for Carbon supply in the mercury market could be, correct me, like 400 million to 700 million at the upside, and I think that is probably still a good estimate. So based on available capacity in the US, it should be tight in the future, 2015, '2016 and 2017.

I will just comment though again that our development efforts have been aimed at trying to make products that work better in the power plants, so actually from a pound standpoint, if more utilities would adopt our products the actual pounds sold into the market would go down. Doesn't mean the value of the market would go down, because our products would be more expensive, but they would provide a benefit, we believe to the utilities. That number 400 million to 700 million not only is affected by the various operations at the plants, but it's also somewhat affected by who they choose to be their Carbon supplier, and if they choose us, which we would certainly hope they will, the actual pounds usage would be lower .

Operator

Your next question comes from the line of David Rose of Wedbush Securities.

David Rose - *Wedbush Securities - Analyst*

Good afternoon. I was wondering if we could follow-up on some of the potential headwinds on the revenue side, just get a little bit more clarity on the delta in revenues? If we look at DB2 or revenues from DB2 and revenues from long term to enhanced rules, how much would you say came in on both of those respectively for 2013? And then what's your sense of the outlook for that comparison for 2014?

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

David, I don't think we have that in front of us for 2013. I think our, I can tell you our outlook for 2014 is growth, but to be honest, and I apologize, we don't have the 2013 full year information with us.

David Rose - *Wedbush Securities - Analyst*

But that number should, but the revenue opportunity from DB2 should step down, shouldn't it, from 2014?

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

Well, we still have the smaller utilities remaining to adopt the disinfection byproduct rule. No. We still expect some growth. I can tell you that we still expect growth for next year.

David Rose - *Wedbush Securities - Analyst*

Okay. And then on the UV side from long term two? Same sort of forecast, growth from that business, as well?

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

On the UV side?

David Rose - *Wedbush Securities - Analyst*

Yes.

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

Yes, we do expect, we are continuing to have opportunities for UV treatment in the US, driven by the rule that you quote, and we still have opportunities that are global in nature in Asia and Australia and the Middle East, so we're pursuing opportunities, from a drinking water standpoint, on a global basis. And we do although I can't quantify it at this point, we do continue to expect to see a reuse market developing in the US, for those areas of the country that are short on water, and reusing the waste water and turning it into a higher quality product, either for use in irrigation, or in some places actually all the way to completely turning into a drinking water system. So that remains another opportunity for the standard UV treatment.

David Rose - *Wedbush Securities - Analyst*

Have you seen an increase in rotation as a result of your Title 22 approval in California?

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

I don't have that information with me, so I would have to check on that for you.

David Rose - *Wedbush Securities - Analyst*

Okay. And then lastly , on CapEx, do you need additional CapEx in outer years to achieve that 10% CAGR? Or does that basically cover you for the next three, four years?

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

Whether we --

David Rose - *Wedbush Securities - Analyst*

How should we think about CapEx?

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

We'll decide whether we quote-unquote need it. Under an assumption we could outsource then we would evaluate the outsourcing assumption, particularly in Europe and Asia as Bob mentioned against building and expanding, where we would get a significantly enhanced margin, and so we're always evaluating against our growth assumptions how we can expand. And you heard us today talk about several smaller projects to incrementally de-bottleneck and expand and we'll evaluate, and are evaluating whether or not a new site whether it be greenfield, brownfield or otherwise, should be constructed so that we have a balance between what we'll outsource and what we'll manufacture.

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

Let me just add to that David this is a huge priority for us right now, and Bob's engineering teams and our marketing teams, and the finance group are really trying to understand as Steve just said the best way to go. We're really looking at this seriously with a lot of detail. We have some various options. We have presented many to you here today. So in terms of is this enough capital? I can't answer that, and we'll have to keep looking at our strategy.

David Rose - *Wedbush Securities - Analyst*

Okay. And I'm sorry, one last one, Randy, if I may. Given where Hyde is today, I guess you alluded to some changes that would be made at Hyde in terms of managing costs. Should we expect some restructuring costs in Q1 and Q2?

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

No.

David Rose - *Wedbush Securities - Analyst*

Okay.

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

No need to do that.

David Rose - *Wedbush Securities - Analyst*

Thank you very much.

Operator

Your next question comes from the line of Steve Schwartz of First Analysis.

Steven Schwartz - *First Analysis Securities - Analyst*

Good afternoon, everybody.

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

Hi, Steve.

Steven Schwartz - *First Analysis Securities - Analyst*

With respect to your reactivation capacity, how much right now would you say is unutilized?

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

We don't typically disclose that number. Comparatively we probably have the most unutilized in the United States. China's facility is very small, Europe is becoming more fully utilized each and every year. So we're pleased with the progress we have made there. But we don't disclose that number for competitive reasons.

Steven Schwartz - *First Analysis Securities - Analyst*

Okay. Understandable. I guess to add to that, how much of your Virgin production could be moved into your own utilized reactivation capacity? Could you fill that unutilized capacity with Virgin if your conversion, customer conversion program were to be 100% effective?

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

I don't think we would fill it all. We would come close, but if we project growth in the marketplace, then coupled with our conversion we get a lot closer to filling our capacity.

Steven Schwartz - *First Analysis Securities - Analyst*

Okay. The context of that question is, Randy, when you talked about the four opportunities for capital deployment, you talk about expansions at 18 million additional pounds, and 16 million, and this Greenfield at greater than 50 million pounds, so I'm just trying to figure out just how much capacity you could have coming online in all facets?

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

And again just add on to Bob obviously there will be some of that and we're just going to continue to understand and continue to push reactivation where we can.

Steven Schwartz - *First Analysis Securities - Analyst*

Okay. And if I could ask about in the press release, you talked about pricing for mercury removal pack, and your comments I think your prepared remarks talked a little bit about the renewal of older contracts. I just want to confirm that the weaker pricing there is on the renewal of existing business, or is this on new business you're getting?

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

Well, the weaker pricing, the specific one that we mentioned where pricing went down by $11 million for us, that was with an existing customer that the contract with them ended. Right?

Steven Schwartz - *First Analysis Securities - Analyst*

Okay.

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

There really hasn't been much actual bidding as I mentioned, in Q4, for new opportunities. So there's really no way to specifically measure any changes in the pricing in the marketplace. I think it's still, until we start to see more of the utilities actually starting to place orders for their 2015 needs, we'll have a better handle. Again, we are targeting as much as we can. Let's say focusing on our advanced products, we have product lines competitive in all areas, but we're really targeting the advanced products, and they sell at a higher price base than standard products because they perform better.

Steven Schwartz - *First Analysis Securities - Analyst*

And so it doesn't concern you that you're expecting this big rush in just a matter of one or two quarters, but at this point you're seeing so very little activity? It seems like that's an awful steep ramp, given that the horizon out there is pretty well understood. I mean with the exception of these 170 units that got the one year extension, but--?

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

Well, if I had my druthers I wish people would be placing orders right now, but we know that there's a vibrant market for the Carbon injection equipment, and utilities are purchasing that, so we know that they are preparing to get it to get their systems ready, to get their plants ready to feed Activated Carbon, and I think they're just trying to make the best decisions too. We strongly encourage utilities to test not just buy on specs or products but to test, and so that they are preparing to get their systems ready, to get their plants ready, to feed activated carbon, and I think they are just trying to make the best decisions too, we strongly encourage facilities to test, not just buy specs or products, but to test so that they can know that they're making the best decisions for their facility. So we like people to be buying quicker. It would make my life easier in dealing with Randy, I can tell you that, but it's coming, and we're confident that it's coming.

Steven Schwartz - *First Analysis Securities - Analyst*

Okay. If I could ask just one more, and I think you touched on this in responding to David's questions, but as far as the Virgin GAC capacity, we know the powdered for mercury removal is a growth opportunity out there. What do you expect is going to drive Virgin GAC demand?

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

Well, I think I answered that earlier this is Bob again, I mean we do get growth in Carbon sales, granular Carbon sales basically in line with economic growth.

Steven Schwartz - *First Analysis Securities - Analyst*

Right.

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

And we expect to see that worldwide. We also, the market for Activated Carbon grows in relation to new regulations, either on water or air pollution, and so there haven't been that many new regulations in Europe. There have been new regulations in the US, which are driving demand. And everyone forecasts, I think, that there will be regulations taking place in China. They're going to be spending more money for controlling environmental pollution, India is also another market where we expect there will be Activated Carbon growth. So those developing countries, those areas that are heavily polluted, there are regulations being placed on the books or contemplated, that should drive the use of Activated Carbon. Brazil is a market where we think there are opportunities, and we're looking to do more from a reactivation standpoint.

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

Steve, this is Randy, could I add?

Steven Schwartz - *First Analysis Securities - Analyst*

Sure.

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

We presented you today with the issue with West Virginia, okay? We know of three pretty strong emerging markets and you know them quite well too. I'm looking out into the future and there's going to be when you look at air and water, there has to be more regulation, and Bob just pointed to the global, but even in the United States that is still out there, that potentially could come down the path. I think a company like ours needs to be well positioned having the right discussions, and being able to provide a solution for what was a very bad problem. And so I believe that beyond what we're already aware of today there could be more in the future.

Steven Schwartz - *First Analysis Securities - Analyst*

Do you think those opportunities that you're referring to right now are as well developed as you expect the expansion of disinfection byproducts to be? Because you talked about that, these facilities that are not yet using Carbon for disinfection byproducts, but you expect that regulation to expand?

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

Yes.

Steven Schwartz - *First Analysis Securities - Analyst*

So do you think these other opportunities in some emerging markets, and what have you are as far along, have as high a probability as what you think that probability is for DBPs? I guess I'm trying to gauge the strength of the pipeline of opportunities?

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

I'm not sure it's as strong as the disinfection byproduct market, because that is a regulation that's in place, has been in place, with targeted compliance dates. So that would have to be the strongest. The other growth areas outside of the US, which mentioned such as China, such as India, such as Brazil, those governments, particularly China have made commitments to spending more money for pollution control, and talking to our sales people who are on the ground in China, and in India, and they definitely see that there are things changing, that there are opportunities developing. I can't say that I would classify them at the same level that we would put the DBP market, but we do think the opportunities are there.

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

Steve I was in a meeting with the EPA, I think it was three weeks ago in DC, and nitrogenous, a disinfection byproducts, which would be the disinfection byproducts formed when you use chloramines instead of chlorine is definitely on their radar, so they were asking us a lot of questions about Activated Carbon and its role there.

Steven Schwartz - *First Analysis Securities - Analyst*

That's great. Thank you for your time.

Operator

Your next question comes from the line of Dan Mannes of Avondale Partners.

Daniel Mannes - *Avondale Partners - Analyst*

Good afternoon everyone.

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

Hi Dan.

Daniel Mannes - *Avondale Partners - Analyst*

Just want to follow-up on a couple of these lines of questioning, as it relates to number one the I guess I'll call them throughput expansions, and then number two, the broader capacity expansions, I just want to make sure that this kind of jives with the way that you're talking about in market growth particularly in the context of a lot of underutilized capacity of react. Randy when you talked about end market growth, you really focused number one on mercury in the US, which is primarily powdered product. And then two, emerging markets. And then I kind of contrast that with your discussion of not just the potential expansion of Big Sandy, but I meant a whole new line at Pearl River, and I'm trying to understand, if you're talking about building new capacity in the right market, or should I be thinking about you building capacity somewhere else? Because I guess I'm not kind of putting together the supply and the demand?

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

You're talking about building Stay capacity outside of the US? Is that your question?

Daniel Mannes - *Avondale Partners - Analyst*

Yes, I mean basically I'm trying to understand why you would be focused on building a new line at either Big Sandy or Pearl River when most of the domestic demand is going to come from mercury, which is number one a powder product which historically you haven't wanted to have capacity to meet, and two, you can also free up capacity from your existing plants by shifting from virgin to react.

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

Right.

Daniel Mannes - *Avondale Partners - Analyst*

And a lot of the excess demand is coming from the rest of the world. Why would you want to build a lot of new granular capacity in the US is basically what I'm asking?

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

I think there is a demand in the mercury market that we have to evaluate how best we can fill that need. And again as our products hopefully are accepted by the marketplace, there will be demand there. But I think your point is well taken, that's why we haven't made a firm decision yet as to exactly where we would add larger amounts of capacity. We certainly think it makes good economic sense to de-bottleneck and increase the capacity of our existing production lines. There we know we get a better return from the standpoint we usually get more capacity for lower capital dollars, and then also we're able to drive down operating costs when we do that. So that is almost a no-brainer for us as far as that's the direction to go.

When it comes to a major expansion, it's going to be a lot of dollars and that's something that Randy just mentioned. We are taking seriously. So we are evaluating do we want to be in the US? We certainly are considering what our options are in places like China. We talk to people there all of the time. And so that's one of the reasons we're just trying to get all of our ducks in a row so whenever we make a decision, it will be the right decision for the long-term.

Daniel Mannes - *Avondale Partners - Analyst*

So putting aside sort of a whole brand-new line, and just looking at sort of what I'll call I guess de-bottlenecking and improved efficiencies, can you get an attractive return on capital just through the lower cost structure of the plant, vis-a-vis buying back stock, or do you really need to see the increased demand side to make those economics work? This is sort of a throughput, just sort of the operational improvements you talked about like you did at Pearl River?

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

We did get a positive return from that, just from the cost savings and if we did no more than used our production in lieu of outsourced product.

Daniel Mannes - *Avondale Partners - Analyst*

Okay.

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

More handsome returns are provided if we're providing these products in the new markets but no, they are fine. There is a lot of cost savings with these better overhead absorption, better efficiencies, et cetera.

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

We learned a tremendous amount at Pearl River that we're excited to take to Big Sandy, and it's happening even as we speak.

Daniel Mannes - *Avondale Partners - Analyst*

Okay. The second question I have as it relates to the buyback the 20 million was purchased between I guess mid-December and mid-February. Number one can you kind of indicate where your share count was actually at the end of the year? And two, with still I guess 130 million of authorization, but at the same time a pretty sizeable capital plan for 2014, how should we think through your capital spend, or any buybacks as we look to 2014?

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

Let me start with that part of the question first, as Steve is looking up our end of year share count.

Daniel Mannes - *Avondale Partners - Analyst*

Sure.

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

I think we laid it out pretty clearly, you have heard me say it many times, it is going to be a balance, we're constantly balancing this balance sheet with where the best return is going to be for shareholders, and quite honestly you're seeing that. Somewhat of a combination. We're constantly every quarter going to be looking at this, and looking at what we want to do and we will continue with the share repurchase program.

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

Dan, relative to share count, our fourth quarter in the press release had just over 55 million shares for the weighted average for Q4. The buyback started near the end of that quarter. So the most of the 900 plus thousand shares that we bought would have been in Q1.

Daniel Mannes - *Avondale Partners - Analyst*

Got it. And then just one last question as it relates to the mercury market. You talked about I guess almost a 12 million, I think you said $11.7 million reduction in revenue, I assume that's primarily from the one renegotiated contract in Illinois. Do you have any other material contracts left from sort of that legacy pricing? Or have you already experienced all of the potential step down given the change in market from I guess 2008, 2009 to now?

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

Yes, we have no further legacy contracts where pricing is not consistent, let's say, with the existing marketplace. There's no big surprise out there like we saw with that one customer.

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

And just to take the opportunity, this is Steve, to highlight that, that was one customer price change we kept the business under a new contract. So our margin improvement had to overcome that entire price decline. So just to further how well we did this year, we overcame that entire deficit and improved as much as we already talked about.

Daniel Mannes - *Avondale Partners - Analyst*

Got it. And if you will indulge me with one last one, it looked like on the international front, obviously currency was a pretty big headwind in Japan, I was wondering were there any other major changes in either Japan or the Asian market in terms of the demand side? And that's notwithstanding I guess the early fill I guess in Q3 in Japan. Any other material going ons there, or has that market been steady?

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

It's been steady. I'll give my thoughts and let Bob chime in. As relates to Japan it actually grew in local currency. So they did increase in volume. There was just a tremendous amount of headwinds from an FX perspective. And probably when we get to the end of the first quarter comparing it to a year ago there will be a little bit more because I think the Yen weakened even further from where it was a year ago. I guess I'll provide my commentary that I would like to see us grow more in all of Asia, particularly China. We made some progress in filling our Suzhou plant, but we're operating at still a fraction of its capacity and we have a ways to go.

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

I think in the Asian market we'll probably see ups and downs a fair amount of our business there has been tied to relatively large municipal fills, so the quarter we get a big municipal fill, sales go up and then the next quarter we're not able to duplicate that sales are down and year-to-year comparisons. So we've had some big fills and frankly hopefully those will continue.

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

Let me talk administratively because as you know over the past couple of years we have talked about Japan and how unhappy things were there. I'm very pleased to report that with new management new focus on the business and how we do things, I'm quite pleased with how that has developed. I'm very pleased with the head person we have there. We announced a new head of China, and he now is getting very active in the Chinese market and looking at opportunities and running our plant. I think we're making the right decisions to secure our Asian business and grow into the future.

Daniel Mannes - *Avondale Partners - Analyst*

Sounds good. Thanks.

Operator

Your next question comes from the line of Christopher Butler of Sidoti and Company.

Christopher Butler - *Sidoti & Company - Analyst*

Hi, good afternoon everyone.

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

Hi, Chris.

Christopher Butler - *Sidoti & Company - Analyst*

A lot of good questions so far. The one thing that you said that still leaves me a little bit confused was this ballast water. You had mentioned that regardless of whether or not demand improves this year you're going to have improvements to that business. What is the back up plan should demand not work out at least somewhat the way you think it is?

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

Well then we will take as many initiatives as we can to reduce our costs, whether it's fewer consultants, lower other operating costs, we'll be as aggressive as we can in managing our operating expenses. We have stood fully ready now for a series of years for a market that's not quite here. And we appreciate fully that has burdened our equipment segment performance to where we had quarterly losses, and we acknowledge that cannot be the long-term rate. We are optimistic that the IMO will get approved this year, and that this is a relatively temporary situation, but we want our investors to know that we're cognizant of this, and we're going to do the best we can to manage through, breakeven or profitable any and every way we can.

Christopher Butler - *Sidoti & Company - Analyst*

And just a quick second one, you mentioned that maintenance in this quarter and the fourth quarter was less year-over-year. Could you quantify that and give us a sense on what is typical for fourth quarter maintenance?

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

Well, I would only, what I'll add to that is that there was more a function of how unusually high the 2012 period was because we had tremendous difficulties at our Pearl River facility, we had undergone the significant expansion which we worked our way through only to be hit by a hurricane as I recall near the end of the third quarter, and we had a tremendous amount of difficulty there in particular. It wasn't so much a function of this year's being unusual, but rather what had happened in 2012.

Christopher Butler - *Sidoti & Company - Analyst*

Got you. Appreciate it.

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

You are welcome.

Operator

Your next question comes from the line of JinMing Liu of Ardour Capital.

JinMing Liu - *Ardour Capital Investments - Analyst*

Thanks for taking my question. First, regarding the decrease in sales, with the price increase and the stronger US dollar ,how would you see the loss of customers, especially in Europe?

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

No, actually our business in my view has been in Europe has been a pleasant surprise. We have done pretty well. We've grown our business and we expect to continue to grow our business in Europe. So that has not been an issue.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay. Okay. Good to hear. I'm still confused by your strategy in emerging markets. If you believe the potential future growth will come from emerging markets, but along there, as your Datong facility not that long ago, so are you going to be able to resource, get the contact production somewhere in Asia just to service that market?

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

Well, this is Bob. Again, we shut down the Datong facility for a number of reasons, frankly we just, it was just not economic for us to go operate it. If and when the mercury market develops in China, we do expect that developed timing is really the issue. I don't think we would expect that we would ship product from the USand be competitive in China. We would identify manufacturers to work with in China, and use our technology in some fashion. Whether we would have a stronger relationship with them or they would manufacture products for us, those are the types of things we'll be evaluating, but supply to the Chinese market for most products will be made by, will be produced in China.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay. Got that. Thanks.

Operator

There are no further questions at this time. I'll now return the call to Randy Dearth for any additional or closing remarks.

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

Thank you very much, and thank you all for some very great questions. Let me conclude by saying today that Calgon Carbon's results for 2013 demonstrate significant progress in achieving our strategic objectives, and that includes improving profitability which we talked a lot about today, and enhancing shareholder value. In 2014, we're going to intend to build on that success that we had last year, and we're going to continue to implement our global cost improvement program. By further strengthening our position to capitalize on our two major growth opportunities, and again we talked a lot about mercury and ballast water, we're going to continue to make significant investments in our activated carbon production facilities, in our SAP system as Steve talked about, and in other areas of the Company. So I look forward to sharing our progress with you in future calls. Thank you for joining us today.

Operator

Thank you for participating in the Calgon Carbon Corporation's fourth quarter 2013 results conference call. You may now disconnect.
