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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Calgon Carbon Corporation first-quarter 2014 results conference call. At this time all participants had been placed in a listen-only mode and the floor will be open for your questions following the presentation.

(Operator Instructions).

It is now my pleasure to turn the floor over to Gail Gerono, Vice President of Investor Relations. Please go ahead.

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

Thank you, Lori. Good afternoon and thank you for joining us.

Our speakers today are Randy Dearth, Calgon Carbon's Chairman, president and CEO; and Steve Schott, our CFO. Our Chief Operating Officer, Bob O'Brien, is traveling and couldn't be with us today.

This afternoon's presentation will follow our standard format. Opening remarks from Randy, review of the first quarter financials by Steve, the operations report, which will be given by Randy, followed by Q&A.

Before we begin please be advised that the Private Securities Litigation Reform Act of 1995 provides a Safe Harbor for forward-looking statements. Today's presentation or perhaps some of the comments which Calgon Carbon representatives 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 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 during this call and webcast. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. Some of the factors that could affect future performance of the Company are changes in or delays in the implementation of regulations of carbon market for our product as well as acquisitions, higher energy, and raw material costs, cost of imports and related tariffs, labor relations, capital and 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 discussion 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 - Chairman, President & CEO*

Thanks, Gail. Good afternoon and thank you for joining us today.

Calgon Carbon had a good first quarter. In operating income increased approximately 4% compared to the first quarter of 2013 and net income was comparable to last year's first quarter despite slightly lower sales. In addition, gross margin percentage quarter over quarter increased by 2 percentage points. In fact, we saw margin expansion in all regions.

As expected, operating expenses increased by $700,000 primarily due to our SAP implementation project which has significantly improved the functionality of our enterprise resource system and allowed for further efficiency improvements. These results demonstrate that the strategy we have adopted, a disciplined sales approach combined with global cost improvement initiatives, continues to be successful moving our Company forward.

Among the many positive developments in the first quarter we are most excited about the recent US appellate court ruling that upheld the EPA's Mercury and Air Toxic Standards, or MATS. Our advanced FLUEPAC products have performed very well in trials conducted by power generators and we believe that we are in an excellent position to play a major role in serving the mercury removal market.

Activity accelerated in this marketplace in the first quarter. This will be addressed later in our discussion.

Before Steve takes you through the financials, I would like to address one more topic. Many of you have asked about the effect of the severe winter weather on our first quarter. Historically, the first quarter is not our strongest partially due to the cold weather and I believe that the first quarter of 2014 was no exception.

We did experience impacts from the weather which included higher cost at our plants and difficulties in delivering product. The weather is also partially responsible for the movement of more than $2 million in sales from the first to the second quarter. On the positive side those sales will help to contribute to what we expect to be a very strong second quarter.

That concludes my opening remarks and I will be back with the operations review after Steve's presentation. Steve?

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

Thanks, Randy, and good afternoon, everyone. Total sales for the first quarter of 2014 were $131.6 million versus $135 million in the first quarter of 2013, a decrease of $3.4 million, or 2.5%. Currency translation had a negative impact of $500,000 primarily on the activated carbon and service sales for the first quarter of 2014 due to the weaker yen.

Regarding our segments, sales in the activated carbon and service segment decreased $1.2 million, or 1% for the first quarter of 2014 as compared to 2013's first quarter. The decrease was principally due to $3.3 million of lower sales of activated carbon in the environmental air market primarily in Asia.

Also contributing to the decline were lower sales of $3 million in the Americas potable water market, as two large municipal fills that occurred during the quarter ended March 31, 2013, were not replaced by a similar sized orders. Partially offsetting these declines were higher demand and pricing in the food market of $5 million for activated carbon products and services which were primarily in Europe for two large orders.

Equipment sales declined $3.4 million, or 24.7% for the first quarter of 2014 compared to 2013's first quarter. The decrease was attributable to lower sales of ballast water treatment systems of $1.8 million due to the delayed ratification of the International Maritime Organization Ballast Water Treatment Regulations and other US Coast Guard related issues.

Also contributing to the decline were lower sales of traditional ultraviolet light systems of $2 million as several large contracts were completed in the quarter ended March 31, 2013. Partially offsetting this decline was a slightly higher sales for ion exchange systems of $300,000.

Net sales for the quarter ended March 31, 2014, for our consumer segment increased $1.2 million, or 54% as compared to the first quarter of 2013 due to higher demand for activated carbon cloth from a single large customer. We expect sales to return to historical levels in subsequent quarters.

Consolidated gross profit before depreciation and amortization as a percent of net sales was 33.6% in the first quarter of 2014 compared to 31.6% in the first quarter of 2013, an increase of 2 percentage points. The increase was in the activated carbon and service segment and including benefits from our price increases, which began in March 2013 and favorably impacted the first-quarter 2014 results in the Americas region by approximately $800,000.

The first quarter of 2014 also benefited from a more favorable product mix particularly in Europe where margins improved by an estimated $400,000 as first-quarter 2014 sales included more activated carbon manufactured by Calgon Carbon plants versus a higher percentage of outsourced activated carbons that were sold during the first quarter of 2013. Finally, the effects of our cost improvement program as well as higher year-over-year production volumes also contributed favorably to our margins.

Depreciation and amortization expense was $7 million in the first quarter of 2014 compared to $6.7 million in the first quarter of 2013. The increase was related to depreciation for the Company's Gila Bend, Arizona reactivation facility that was placed into service during the second quarter of 2013.

Selling, administrative and research expenses were $21.6 million during the first quarter of 2014 versus $20.9 million in 2013, an increase of $700,000, or 3.4%. The increase was primarily due to approximately $600,000 of expense related to the SAP reimplementation project that commenced in January of this year.

The income tax rate for the first quarter of 2014 was 34.4% versus 30.4% for the first quarter of 2013. The lower tax rate for the first quarter of 2013 was due to activity related to the Company's Datong, China subsidiary that was sold in March 2013.

In summary, our net income of $9.8 million for the first quarter of 2014 was comparable to the net income for the first quarter of 2013. On a fully diluted share basis earnings per common share for both the first quarter of 2014 and the first quarter of 2013 were $0.18.

Turning briefly to the Company's business segments, the activated carbon and service segment recognized $22.7 million in operating income before depreciation and amortization in the first quarter of 2014 compared to $20.9 million in the first quarter of 2013. The equipment segment recognized a $900,000 operating loss before depreciation and amortization in the first quarter of 2014 compared to $400,000 of operating income in the first quarter of 2013. The decline was primary due to lower sales volume of our ballast water treatment and traditional UV systems that I discussed previously.

Our backlog, however, is $24.4 million at March 31, an increase of $5 million over the balance at December 31. Much of this increase is due to Hyde Marine which Randy will address later in the call.

The consumer segment recognized $845,000 of operating income before depreciation and amortization in the first quarter of 2014 compared to $400,000 in the first quarter of 2013. The increase was related to a higher sales volume from a single customer as previously mentioned.

Regarding our balance sheet, cash increased during the first quarter of 2014 and at March 31 we had approximately $36 million of cash. Receivables were $100.3 million for the first quarter of 2014, which was $3.4 million higher than yearend 2013.

Inventories were $108.6 million at the end of the first quarter, $990,000 lower than yearend 2013. As previously discussed, our yearend inventory target is to not exceed $100 million.

As of March 31 the Company had total debt outstanding of $55.7 million which represents an increase of $21.4 million from yearend. This increase can be attributed to our first-quarter share repurchases, which I will discuss later in my prepared remarks.

Cash flow. Our cash flow provided by operations was $10.2 million for the first quarter as compared to operating cash flow used in operations of $600,000 in 2013. The $10.8 million improvement in 2014 was due to year-over-year improvements in our working capital.

Spending. Capital expenditures totaled approximately $8.6 million for the first quarter of 2014 and were primarily for improvements to the Company's Catlettsburg, Kentucky and Pearlington, Mississippi virgin carbon manufacturing plants.

Our estimated spending on capital for the full 2014 year has been revised downward from $85 million and is now expected to total between $75 million to $80 million. Randy will provide more detail on our capital program later in the call.

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

Thanks, Steve. The operations report is next. Randy?

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

Thanks, Gail. I'd like to begin by discussing several significant contracts we were awarded in the first quarter.

In Korea, we were selected to provide 5.6 million pounds of granular activated carbon to treat drinking water in Seoul City, South Korea. We delivered about 1.6 million pounds in Q1 and the remainder is scheduled to be shipped in Q2.

At Chemviron Carbon, our European branch, sales were strong and margins also improved driven in part by two new orders for the treatment of sugar. The value of these contracts was approximately $2.3 million. In the first quarter we delivered carbon valued at $1.7 million, so the remainder of the carbon is scheduled for delivery in the second quarter.

In the US, we received a $1.5 million contract to replace spent carbon with new virgin carbon following a chemical spill that affected the drinking water at a treatment plant downstream from the spill. The majority of the carbon is scheduled to be delivered in the second quarter. These three contracts demonstrate the continuing demand for activated carbon for traditional applications.

Next, let's turn to the plants. Our virgin carbon production facilities, Big Sandy and Pearl River, continue to operate well in the first quarter despite the winter weather.

Our reactivation plants also performed well. Activity at two facilities, one in Asia and one in the US, was especially noteworthy.

As a result of a targeted sales effort we are seeing a significant increase in demand for industrial reactivation at our Suzhou, China facility. In fact, sales increased 100% in the first quarter as compared to the first quarter of 2013. I am also pleased to report that its customer base has expanded to include Chinese companies in addition to the multinationals who also use our reactivation services in Europe and in the US.

Another important milestone for our reactivation business was the startup of the North Tonawanda reactivation facility in upstate New York. The plant has a capacity of approximately 13 million pounds per year, which is dedicated to customer reactivation of spent carbon from municipal water treatment plants.

Business was strong in the first quarter. We expect a high utilization rate at this plant for the remainder of 2014. The startup of the North Tonawanda facility is the result of our success in convincing municipal customers who had previously used only virgin carbon to switch to reactivated carbon.

Let's move on to an update of our growth opportunities in emerging markets. I am pleased to report significant progress in the mercury removal market on both the regulatory front and increased activity from the power industry.

As I mentioned in my opening remarks, the US Court of Appeals for the District of Columbia Circuit recently upheld the EPA's MATS, and that will require power generators in the US to remove mercury from the flue gas of all coal-fired power plants by April of 2015. The case consolidated challenges to the rules by several groups.

The petitioners can appeal the ruling by asking for a rehearing of the case by a panel of all judges in the DC circuit or by requesting that the Supreme Court hear the case. If either court agrees to do so it would take several months to a year for the appeals to proceed. Therefore, we expect that implementation of MATS will move forward as planned and that all coal-fired power plants in the US will begin treatment for mercury by April 2015, or if granted an extension, by April 2016.

Prior to the ruling we had received new requests for RFPs and we are beginning to receive additional requests in the second quarter. Since the beginning of the year we have also received requests from power generators for 11 additional trials of our advanced FLUEPAC products in 2014.

And potential customers are showing interest in positive results of prior trials. We are very encouraged by this growing interest and continue to expect that contracts will begin to be awarded later in the year.

Now let's talk about ballast water treatment. In the first quarter of 2014 we received 32 orders for Hyde Marine ballast water treatment systems, more orders than in previous quarter. Included were five orders for our new system, the Hyde GUARDIAN Gold, which we introduced late last year.

These orders tended to be for smaller low flow systems. And as a result pricing for the systems was below Hyde's historical average.

Hyde also received updated IMO type approval that includes both the Hyde GUARDIAN and Hyde GUARDIAN Gold systems. The Gold system incorporates green filter products which significantly reduce the system's footprint overall broadening our ability to service ships with higher ballast water flow rates.

The ballast water market continues to be constrained by delays in the ratification of the International Maritime Organization's Ballast Water Treatment Convention as well as the US Coast Guard's decision to grant over 100 extensions for compliance with its regulations. We are confident the ballast water treatment regulations will eventually be adopted and enforced globally. In the meantime we are committed to minimizing the adverse impact that these delays will have on financial performance in 2014 regardless of the sales levels.

That concludes the operations review. Next I would like to provide a brief update on our cost improvement program.

I am pleased to report that we are on track to achieve our $40 million cost improvement target on an annualized basis in 2016. We continue to expect at least a $20 million contribution from Phases 1 and 2 of the program in 2014 and in the second quarter we should begin to receive benefits from Phase 3 initiatives which we expect will total at least $5 million over the remainder of the year.

The virgin plant optimization study, included in Phase 3 of our program, was successfully completed in the first quarter. Recommendations from the consultants who conducted studies of both a Big Sandy and Pearl River focused on standardization of operating methods and procedures. We have already begun implementation of the recommendations, which should result in annual benefits of approximately $7 million, a portion in 2014 and all in 2015, and this is done principally through additional production capacity.

Turning to another component of the cost improvement program we signed two five-year coal contracts at favorable pricing. As a result we should achieve a significant reduction in the cost of our principal raw material over the period.

We should realize at least $2 million in cost savings over the remainder of this year and $5 million annually beginning in 2015. We now have 80% of our 2014 coal need secured and 70% of our total long-term coal needs under contract.

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

Thanks, Randy. Now Steve will make some comments about the second quarter. Steve?

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

Thanks, Gail. Sales, our second-quarter sales are typically strong and for the second quarter of 2014 we expect sales to increase sequentially by more than 10%, mostly attributable to our global drinking water market segment. This should result in a strong quarter not only for revenue but also for earnings.

Margins. Our net sales less cost of products sold as a percentage of net sales before depreciation and amortization is also expected to show significant sequential improvement. The sequential improvement is expected to be at least 150 basis points which should result in margins pre-depreciation and amortization exceeding 35% for the second quarter. Reasons for this expected improvement include a favorable sales mix, higher sales volumes, which allow for better overhead absorption and as Randy mentioned, lower cost directly related to several of our cost improvement initiatives as well as the absence of direct costs related to our virgin plant efficiency study that has now been completed.

Operating expense. As Randy noted in his presentation, we have launched our SAP reimplementation project. At the time of our fourth-quarter call in February I forecasted that this project would increase our operating expenses by as much as $1 million in each quarter.

The expense impact on our first quarter, as I previously mentioned, was approximately $600,000. We expect that the second-quarter impact will be more and could approach $1 million. Nevertheless, the significant anticipated sales levels will result in our operating expense as a percent of sales to be 15%.

Our tax rate in the first quarter was 34.4% approximating our full-year expected rate. However, in April we were notified by the Internal Revenue Service that the Joint Committee Review of our amended 2008 US federal income tax return had been completed.

Accordingly, during the second quarter we will release the income as a reduction to income tax expense, $1.4 million of uncertain tax position liabilities which will substantially lower our tax rate for the second quarter and add $0.025 per share to our earnings. The corresponding cash refund will be approximately $2.5 million.

Share repurchases. As of December 12, 2013, we had $150 million of Board authorization for repurchases. From that date through May 2 we have purchased approximately 1.6 million shares, a total investment of $33.5 million. When you have remaining authorization of $116.5 million.

Thank you. I will turn it over to Randy.

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

Thanks, Steve. The last topic that I want to cover today is our capital budget for 2014.

I had the opportunity to meet with many of our investors following our last call. There was a recurring theme in our meetings, surprise at the size of our $85 million capital plan for 2014.

As you learn today we have revised our estimates downward and now expect to spend between $75 million and $80 million. Those are still big numbers and it is important that you understand them in their strategic context.

First, as many of you know our production capacity for granular activated carbon is approximately 150 million pounds and we have been selling our entire production each year for several years running. In order to meet projected market demand in the next few years we must either add carbon production capacity or sell more carbon from other manufacturers at lower margins.

Second, demand from the mercury market may cause us to add powdered activated carbon capacity. Third, running all plants, virgin and reactivated, as efficiently as possible to improve our cost profile is also an important part of our long-term strategy.

Let's look at the major components of our 2014 capital plan in the context of those strategic objectives I just laid out. We expect maintenance capital this year to be on the high side, perhaps $20 million, because of an extra-virgin carbon plant maintenance turnaround year over year.

A total of $17 million is targeted over the next two years for de-bottlenecking and cost improvements at our Big Sandy carbon manufacturing plant. This project should result in an additional 8 million pounds or 9 million pounds of granular activated carbon production capacity.

A total of $30 million will be used in 2014 and 2015 to modernize and expand the production capacity of our Neville Island reactivation facility by over 40%. The Neville Island plant is older and must be upgraded to perform cost effectively. Since the facility will be offline we are taking the opportunity to expand its capacity at the same time.

$15 million to $20 million dollars is expected to be spent this year for additional improvements at our virgin carbon manufacturing plants and also for some small infrastructure projects. $5 million is earmarked in 2014 for completion of the expansion and refurbishment of our reactivation facility at Tipton in the UK. The remainder of the spend will be dedicated to infrastructure improvements including the reimplementation of SAP that we talked about today.

These are major components of the capital plan. With the exception of the maintenance spend our expenditures are aligned with our strategy to grow our business by increasing carbon production capacity or improving plant efficiency. So thank you very much for your attention and we will now take your questions.

QUESTIONS AND ANSWERS

Operator

The floor is now open for questions. (Operator Instructions). Tyler Frank, Robert W Baird

Tyler Frank - *Robert W. Baird & Company, Inc. - Analyst*

Hi, good afternoon guys. Congratulations on the quarter. It sounds like things are going to be ramping well throughout the year.

I was hoping you could touch on the equipment sales. Obviously that sector was at a loss this quarter and just wanted to get your long-term thoughts on that, on the ballast water sector there, going forward.

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

We obviously are encouraged by the first quarter activity and as a Randy pointed out the number of orders that we got but obviously are still waiting for more regulatory clarity and the IMO ballast water treatment regulations to take effect. So for us it's difficult to see significant changes in our year-over-year performance in that entire business segment without those ballast water treatment regulations taking effect and having a greater impact for us.

So as we mentioned we're going to continue to manage cost to try and minimize the losses that we are incurring in that segment. Many are driven by our willingness to remain in a state of preparedness for the ballast water treatment market. And we will do our best in the meantime and certainly continue to have sales and I think with regulations eventually coming into our favor we will be able and well prepared to take advantage of this.

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

Let me add to that. It's not that we are losing sales right now, it's a market that is in flux because of the regulation, as Steve said.

I will reiterate what we said in the call here that we do recognize that we need to look at this business. We need to look at the costing and the expenses that are incurred.

And we have been working with the business unit and I am happy to report that we are going to be managing that to make sure that if we had to ramp up quickly we could. But in absence of the regulation that we are running this business as profitably as we can.

Tyler Frank - *Robert W. Baird & Company, Inc. - Analyst*

Great. And then I just have a quick follow-up.

The capital spending got revised down. Is that due to things just not costing as much as you thought they would, or what makes up that $5 million to $10 million downward revision?

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

Certainly some of it is a revision downward in some of our cost estimates, and as a Randy pointed out many of the projects span more than one year. So we are also trying to estimate how much we will incur this year versus some of those expenditures that may fall into next.

Tyler Frank - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Thank you.

Operator

Dan Mannes, Avondale.

Dan Mannes - *Avondale Partners - Analyst*

I want to follow-up real quick on mercury. Obviously we were pleased to see DC circuit uphold it.

I guess the question is, can you talk a little more about the nature of the interactions with the utilities? What is their willingness at this point to start locking up capacity, or are they still by and large looking at sort of shorter-term contracts?

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

We've had an experience with before. We've been in this market, as you know, a few years ago when the rules were such that utilities had to comply. So we know it's a long process.

I am happy to report that we are part of the process and we have received RFQs, as we said. We do have a seat at the table and we are excited that because of our advanced FLUEPAC products and the service and quality of the Calgon Carbon products that we will have a market share going forward.

So we are pleased with that and when that will happen, again we strongly believe that we won't see contracts in the short term. It will probably be later this year before this happens. We don't see a lot of early adopters out there.

But nonetheless we'll keep our shareholders abreast when we do we receive those contracts and in terms of whether they will be year contracts or multiyear, we believe they will be multiyear contracts. It seems that that's the direction they seem to be going.

Dan Mannes - *Avondale Partners - Analyst*

Okay. In terms of you are expanding capacity a little bit around the edges. I know last quarter you talked about maybe something more meaningful in terms of either a large brownfield or a greenfield.

Number one, is that still on the table? And number two, is that then reliant on long-term contracts on the mercury side or somewhere else?

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

Well, as I mentioned at our Investor Day last November, I think it's very prudent of us to be looking at our options in terms of a greenfield plant or an expansion of an existing plant. And I will say, and we have said that there is engineering work going on, there's a lot of strategic analysis going on to help us better understand if we were to do that what would that look like, where, why, when, etc., to the point of we're waiting -- we are curious to see what's going to evolve here.

Absolutely. We are taking the time. We are going to do this prudently and see how this market evolves.

We do have the ability, as you know Dan, that I can bring product from other parts of the world to service our needs and that is kind of the buffer that we've had. So we don't believe even a later decision is going to harm our business but nonetheless let's see how things go and we all make a decision accordingly.

Dan Mannes - *Avondale Partners - Analyst*

Great. Thanks.

Operator

JinMing Liu, Ardour Capital.

JinMing Liu - *Ardour Capital Investments - Analyst*

Thanks for taking my question. First on the mercury side, just for longer term do you see the trend that the 40-year utility companies reaching their coal power plants to natural gas or even to biomass whether that will impact your the longer-term demand for your products?

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

We estimate today there is anywhere between 800 units and 900 units that are out there. I believe 100 today are currently using, or required to use some type of mercury abatement system and they are using carbon.

So roughly there's about 800 out there that would have to comply with the MATS Ruling come next year. Yes, we have seen some closures and quite honestly based on the information we have received they were probably plants that should have closed anyhow.

And will there be a few more? Probably. Just because of the age of the plants and the cost to convert.

All of that being said we don't believe that the 800 units are going to go away overnight. We believe that there will be a huge market for activated carbon for a long period of time to comply with the MATS.

The other element here is natural gas itself. We've been told that when natural gas pricing exceeds about $4.00 a unit the economics tend to really favor coal.

Not sure what's going to happen in the coming years with subsidies on natural gas, exported natural gas, and the impact it will have on pricing. Natural gas may not be attractive a year or two from now as of what I see last year or the last two years.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay. That's helpful. Just a second question is on your coal supply. I may have missed it but the two new five-year coal supply contracts, are they fixed price or some kind of index-based?

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

They do contain an index-based increase in each of the agreements so there is some level of increase that can occur in the agreements. It is something that is managed in the agreements as well, though, so they won't increase disproportionately to market and other conditions.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay, the index, are you referring to it as like an inflation or CPI, and those type of index or just --?

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

Yes, there's more than one -- in the contracts there are more than one factor that can increase the pricing.

JinMing Liu - *Ardour Capital Investments - Analyst*

Okay. Got that. Thanks a lot.

Operator

Hasan Doza, Water Asset Management.

Hasan Doza - *Luminus Management - Analyst*

Hi Randy, how are you? Thanks for the very precise commentary for Q2. I had a couple of questions.

The first one is, would you help me understand a little bit about the 10% projected increase in sales for Q2? I am curious as to how much of that we should consider as recurring in nature versus a one-time contract, or sales shifting from Q1 to Q2.

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

Sure. Certainly we tried to highlight some of the contract success that we had. We did have some sales pushed out of Q1.

We totaled that at $2 million. The water contract in Korea was a nice contract for us and will impact Q2. We had some food contracts in Europe as we noted on the call and then some water, potable water contracts, one noted on the call.

So some things will hit Q2. The timing for Q2 is very good. Much of the contracts, or many of them, are in core businesses.

I think it's a little early to predict whether that's an ongoing increase in demand or not. But certainly there is some that will affect Q2 perhaps more than our Q2s normally would have been impacted by such things.

Hasan Doza - *Luminus Management - Analyst*

Okay. In the contract that you mentioned in terms of for chemical spills, is that a one-time fill or is the purchaser going to purchase that material from you every quarter?

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

Well, right now it's a one-time fill. Obviously in the municipal market it is a candidate for reactivation so there will probably be a reactivation business to follow.

But given the nature of the chemical spill perhaps the reactivation may occur on a more regular basis than it did before, which is obviously positive for us. But this still indeed shows that having good-quality carbon in your beds is a positive for your the people you serve with your drinking water.

Hasan Doza - *Luminus Management - Analyst*

No, I agree, but the full impact of that specific sale we are going to see it in Q2?

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

Yes.

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

Yes.

Hasan Doza - *Luminus Management - Analyst*

Perfect. And one last follow-up question on ballast water. In terms of the profitability on the EBIT line for the remainder of the year, how should we think about the profitability given the approximately $1 million loss in the first quarter?

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

It's difficult to forecast how do you will play out particularly in ballast water. We were pleased with the contracts we signed in the first quarter. Candidly we lack visibility to see or to know if that level of business will continue over the course of the year.

And so pleased with the first quarter. Obviously we did incur a loss and we are looking to manage those losses but we are not in a position yet to let you and others know over the rest of the year whether we can turn those losses into breakeven or profit. But we are certainly going to do everything we can to manage any losses, if they occur, to be as small as possible.

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

Yes, and as we said before, the microscope is on the business.

Hasan Doza - *Luminus Management - Analyst*

Got it. But for modeling purposes to be conservative for modeling purposes for the remainder of the next three quarters, if I model negative $1 million loss for the next three quarters, that's reasonable, or --?

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

I hope that would be on the high side. I think we can highlight that we increased our backlog by $5 million and so I would expect some betterment in sales compared to Q1 as we go through at least the near-term part of the rest of the year.

Hasan Doza - *Luminus Management - Analyst*

Perfect. Thanks, guys.

Operator

(Operator Instructions). David Rose, Wedbush Securities.

David Rose - *Wedbush Securities - Analyst*

Good afternoon. Couple of follow-ups.

One is on the Q&A side just to be a little bit clearer, the reduction in capital expenditures for 2014 roughly that $5 million number, are you thinking that next year would be reduced, or above, or equal to that same sort of level? I'm listening to the products you talk about, potential brownfield or greenfield projects, it doesn't sound like 2015 comes down from 2014.

Am I mistaken in thinking that? And I know there are a lot of variables but how should we think about CapEx going forward?

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

I would say it's early to predict 2015 and let's take a greenfield or brownfield out of our discussion. In the absence of one I would hope that our 2015 expenditures would be less than 2014's but to be sure they will still be significant.

We did have one more maintenance turnaround this year than we would incur in a typical year. That should not be present next year. That should be helpful.

And we are beginning to undertake a lot of projects this year which we talked about. So if things push out of this year into next then this year we'll spend, some of which we have already noted. But in the absence of anything of that nature I would expect next year to be a little bit less pending our potential investment in a new plant.

David Rose Okay, that's helpful. And the last question is, the progress you made on food and beverages it is really encouraging and I know in the past you've struggled with the sweetener market. Is there some other dynamic that is at play, maybe new markets, product positioning, that is helping you do better than the market, or are you growing with the market and maybe provide some color if you would, please?

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

Great question. One of the large -- we did have an initial fill. It was attributed to our Europe segment and happened to be in Africa for a new plant.

So we are seeing activity in the industry. The increase in food was highly attributable to sweeteners and we are pleased to see that increase in activity occur.

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

One of the things, David, we did last year is we created business units and the business units are focused around the key market areas to make sure it has the right resources, the right focus and quite honestly I'm very pleased with how that developed. And as you may recall we have an industrial and food business unit which is a lot of our traditional business.

The other area that I am hoping we continue to pursue is the globalization of our business. And when you look at countries like Brazil and India, they provide, I believe, great opportunities going forward for product like ours to get into these emerging markets where they want clean sugar, white sugar, clean beverages, so that's exciting.

David Rose - *Wedbush Securities - Analyst*

Are there any other market opportunities for you outside of the sweetener market as it relates to food and beverage?

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

It's not really directly related. We talked a little bit about this at our Investor Day but in the bio space where people are using biomass to produce things, whether it be ethanol or biochemicals, we are seeing an uptick where during the processing of their chemicals they need to do a purification stage and activated carbon, indeed, works. So that gives us some optimism in a totally new market that is developing very rapidly, but there might be something for us going forward.

David Rose - *Wedbush Securities - Analyst*

Okay. Great. Thank you very much.

Operator

Steve Schwartz, First Analysis.

Steve Schwartz - *First Analysis Securities - Analyst*

Hi, good afternoon, everyone. Just one question, as always a very colorful presentation.

You mentioned that the US Coast Guard pushed out I guess the deadline for 1,000 units. Randy, can you give us an idea of whether that's one time in nature, or is there a possibility that could expand broader into the available fleet for your product?

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

Just a point of clarification, it's actually 100 units have been granted extensions. And, no, Steve we don't believe that that's going to be an ongoing issue.

We believe that the Coast Guard -- we know the Coast Guard is working very diligently because we are part of the discussion in terms of coming up with the testing protocol to be able to test these systems. So we believe it's a temporary extension and we don't expect them going forward.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. Sounds good. That's all I had. Thank you.

Operator

Christopher Butler, Sidoti & Company.

Christopher Butler - *Sidoti & Company - Analyst*

Hi, good afternoon, everyone. I was wondering if you could give us an update on the impact of other regulations that are out with the court weighing in on the Cross-State or some others that may have an impact on activated carbon demand over the next few years?

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

Good question, Chris, and we are actually watching that very closely because it is an evolving issue. For those that don't know, this is the Cross-State Air Pollution Rule, it was recently upheld by the US Supreme Court. What is going to say is that 28 states are going to have to control their emissions like SOx and NOx.

Let me say early into this discussion we look at this from a positive perspective in two ways. First off, the Supreme Court did uphold this decision. So for any challenges against MATS we think we have good idea where the Supreme Court will line up.

And the second thing is that we see activated carbon also as a solution. Our pellets, for instance, for DeSOx and DeNOx, they could help address some of those rules if and when they were ever to come into fruition.

So we believe it is way too early. We believe a lot of things are going to happen before that. But as always we are going to keep our ear to the ground in Washington with the EPA and see if we can, as always, be part of the solution.

Christopher Butler - *Sidoti & Company - Analyst*

As we look at your reactivation, your push towards reactivation, it sounds like you are having greater success than you have had historically. Is there anything that has changed, any approach that you have had or change in the marketplace that is created this?

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

Well, I think it's been a big push from our sales and marketing folks. As we announced before, we hired a new team in China that was a problem child for us and we see, as reported today, some success in their efforts in improving our reactivation business there.

Here we have added, as we talked about, we've added some plants strategically and we are now seeing the benefit of having those plants near the customer and we are getting business there. But it has just been now the push with our sales folks to say this is a great value proposition for Calgon Carbon, let's push it as far as we can.

Christopher Butler - *Sidoti & Company - Analyst*

I appreciate your time.

Operator

At this time there are no further questions. I'll now turn the call over to Randy Dearth for any additional or closing remarks.

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

Thanks. As I said in the opening remarks, I am really satisfied with the progress we made this quarter and we are really focused on these long-term objectives. We are really excited about the second quarter and we will continue to demonstrate the success of our initiatives.

And we hope that the metrics and we believe the metrics that we'll show for the second quarter will be evident of our progress. So I look forward to sharing those results with you at the second quarter and we thank you very much for being with us today.

Operator

Thank you for participating in Calgon Carbon Corporation's first-quarter results conference call. You may now disconnect.
