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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Calgon Carbon second-quarter 2015 earnings results conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session. (Operator Instructions).

It is now my pleasure to hand today's program over to Dan Crookshank, Director of Investor Relations. Dan, please go ahead.

Dan Crookshank - *Calgon Carbon Corporation - IR Director*

Thank you Kristin. Good morning and thank you for joining us this morning. Our speakers today are Randy Dearth, Calgon Carbon's Chairman, President, and CEO; Bob O'Brien, our Chief Operating Officer; and Steve Schott, our CFO.

Before we begin, I would like to remind you that today's presentation and some of the comments that Calgon Carbon's executives make during the Q&A session may contain statements that are forward-looking. Forward-looking statements are subject to risks and uncertainties and Calgon Carbon's actual results may differ materially from those expressed in the forward-looking statements. A list of factors that could affect Calgon Carbon's actual results can be found in a news release that we issued earlier this morning and our (technical difficulty) annual reports we filed with the Securities in Exchange Commission, particularly in our last annual report on Form 10-K. These filings, as well as this morning's news release, can also be found on the Investor Relations page of our website.

With that, I will now turn it over Randy for his initial comments on the quarter and recent developments. Randy?

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

Thanks Dan. Good morning everyone. Let me also welcome you to our 2015 second-quarter earnings conference call.

So, before we get started, this is Dan's first quarterly conference call with Calgon Carbon since he joined us in May. I would like to welcome him to the team. We're very pleased to have him on board.

So now to the business at hand. The second quarter was an eventful one for Calgon Carbon as we experienced a number of positive developments and highlights as well as a number of challenges in several of our markets. I will begin by discussing this quarter's headline event, which was the Supreme Court's ruling issued on June 29 on the EPA MATS rule and share with you what we know as of today and how that translates into how we currently expect to operate in this area for the remainder of the year.

As a reminder, MATS, which represents the first national standard for the reduction of power plant emissions of mercury and other air toxins, is expected to be a key driver to one of our near and long-term revenue growth areas as powdered activated carbon produced by Calgon Carbon is often the best performing solution that offers the lowest total mercury control cost to coal-fired power plants. As you know, the MATS rule became effective in April of 2015 but its future has been clouded by a recent decision of the Supreme Court of the United States.

Before I get into our views on the future of the rule, I want to remind you of our perspective on the size of the market for powdered activated carbon for control of mercury emissions from power plants. As a result of similar regulations already in place in 19 states and in Canada, many power plants have already invested in solutions that utilize powdered activated carbon, which created an annual market of between 120 million to 160 million pounds of powdered activated carbon as measured on the basis of first-generation product solutions. We believe this market will be largely unaffected by the future of the MATS rule.

Should the MATS rule stay in effect and on its original compliance timeline, our projections are for the size of the powdered activated carbon mercury control market to increase by an additional 220 million to 310 million pounds by 2017, once again as measured in terms of first-generation standard products. This will result in a total market revenue value of between $270 million to $300 million. In terms of its importance to us, these incremental market volumes would represent the single largest activated carbon growth market in Calgon Carbon's history.

Now let's talk about the future of the MATS rule. The validity of the MATS rule has been challenged through the court system over the past few years and ultimately landed at the Supreme Court for their review late last year. On June 29, the Supreme Court issued its ruling which overturned the decision of the US Court of Appeals for the District of Columbia that held that the EPA did not meet the considered cost when initially deciding to regulate power plant emissions and remanded the MATS case back to the Court of Appeals to determine the fate of the MATS rule. As a result, MATS currently remains in place and as of today, the DC Circuit Court is yet to act. So, given this, what do we think will happen next? To answer this question for our investors and for ourselves from a strategic and operational planning perspective, we have spent the past 30-plus days studying the likelihood of potential outcomes from the DC Circuit Court and taking the pulse of our MATS related customer base.

Let me share our findings and our best current estimate of where we are potentially headed. First, with respect to potential outcomes from the DC Circuit Court, we've received differing legal opinions as to the likely action to be taken by the Court, some of which will be significantly more favorable to Calgon Carbon than others.

On the negative side, one legal opinion has suggested the DC Circuit Court would likely follow what has been described as a normal process for a regulatory case that has traveled a path similar to this one and simply vacate MATS and suggest the EPA go back and consider cost before determining if the rule is appropriate and necessary, essentially invalidating the rule and instructing the EPA to start over. This outcome would certainly be a catalyst for another multi-year delay in the formation of a powdered activated carbon mercury control market across United States.

While on the positive side, a second legal opinion suggests that because the Circuit Court's previous actions supporting the rule were grounded on the rule's intent to protect human health and the environment and that the costs of the regulation are now known and were ultimately considered by the EPA during its process, the Court will likely ask the parties to present additional arguments on what should be done with MATS, then leave the rule in place while at the same time remanding it back to the EPA to reconsider cost. This would be favorable to Calgon Carbon and could potentially keep the market growth trajectory, as I just highlighted, on track.

In addition, we have been advised that these are not the only possible outcomes we could see from the DC Circuit Court. There are others, meaning the ultimate legal path this rule follow remains uncertain as does the timing.

Turning to our MATS related customer base, in all cases, customers with an April 2015 compliance date have continued to treat. Why? They realize the rule is still in effect. In some cases, their operational permits call for mercury treatment with powdered activated carbon injection, so this activity has to continue. And in some cases, the cost of treating mercury is already built into their rate structure. In addition, we received no order cancellations and business continues to flow as we expected it would have under a favorable Supreme Court ruling scenario.

With respect to customers subject to the April 2016 adoption date, customers remain on their previously intended track for implementation with respect to ordering product for testing, as well as issuing requests for quotes with only a single exception where a specific customer is delaying ordering product for testing.

In summary, attempting to make a definitive call on the DC Circuit Court's course of action would be highly speculative. However, based on our review of the merits and details of each of these opinions, we believe a Circuit Court ruling that keeps MATS in effect while the cost of termination issue is reviewed has a reasonably good chance of occurring. This view combined with the actions of our MATS related customer base continuing to implement mercury control measures on schedule gives us optimism in an outcome with both favorable near and long-term consequences for our business that is more likely than we originally anticipated on the day the Supreme Court decision was handed down in late June. Accordingly, our operational and financial forecast for the remainder of the year includes production and shipment activities that are expected to result in full-year mercury control market revenues of between $55 million to $60 million.

Turning to the highlights for the quarter, let me begin by staying on-topic and start with the continued success of our mercury control FLUEPAC products. Compared to last year's second quarter, sales increased $9 million, ahead of our expectations, and totaled $15.4 million for the quarter and stand at $27 million for the first six months. The growth is due to the continuing success of our products in the state and Canadian regulated markets as well as with new customers treating due to MATS. In addition to this positive development, our cost reduction initiatives continue to deliver desired results as our second-quarter gross margin before depreciation and amortization was 37.5%, 36.6% excluding the favorable impact from an expected import duty refund.

Our SAP reimplementation project went live in early July, on schedule and with only an expected level of business disruption. Moving forward, this enhanced platform will enable more efficient methods to interact and transact business with our customers as well as provide additional cost savings as part of Phase IV of our cost reduction initiatives.

Our Chemviron business in Europe was awarded a 10-year contract for custom carbon reactivation services by a municipal drinking water company in Belgium. This represents a renewal of our 10-year contract with this customer that expired earlier in 2015 and is expected to result in approximately 9 million pounds of reactivation volume over its term. The repeat business is another demonstration of the value of the quality of the products and services we provide to our customers.

And finally, in a deal valued at approximately $1 million, a municipality in Michigan selected us to provide granular activated carbon and associated services as part of their decision to put their potable water plant back online. Using our products to treat for taste and odor and removal of disinfection byproducts has proven to be a more cost effective solution for the municipality to provide water to its population versus continuing to purchase its supply from other municipalities.

While these positive developments give us continued confidence in our near and long-term revenue and profitability growth prospects, we did encounter challenges in several of our markets this quarter that resulted in our topline results falling shy of our expectations. I mentioned the nature of these challenges in this morning's press release, but let me spend a moment to expand a bit on each.

In the oil and gas market, continued low oil prices and labor disruptions combined to constrain customer spending on maintenance related and new capital projects, which in turn negatively impacted our activated carbon and carbon absorption equipment sales at refineries, and ballast water treatment equipment sales were also affected for offshore service vessels. Our sweetener market activated carbon sales were impacted by a demand shift within the food market from high fructose corn syrup sweeteners to cane sugar as well as changes that are occurring in the manufacturing base of artificial sweeteners.

In the North American municipal water market, while we continue to see growth in the amount of activated carbon being placed into service and continue to convert additional customers to custom municipal reactivation services, our second-quarter sales were impacted in part by lower-than-expected reactivation services due to certain customers extending the time between reactivation exchanges. In addition, the abnormally high rainfall in the northeastern United States led to lower demand for water, hence reducing usage for activated carbon in our expected revenues.

In the environmental water market, a significant granular activated carbon order related to a specific remediation project expected to occur in the second quarter shifted into the second half of the year.

And finally, in Japan, orders for DSDN carbon were lower than expected in the second quarter but are expected to improve in the third quarter.

Despite these dynamics, our cost reduction initiatives are proving their importance and allowing us to maintain elevated profitability levels. And based on the highlights I mentioned and a few other data points that Bob will provide momentarily, we believe our marketing position, our market share and the general level of demand of our products and services remain on solid footing.

I will be back in a few moments to give you my thoughts on our growth for the remainder of the year as well as our strategic focus. I'm now going to turn it over to Steve to take you through the second-quarter financial results.

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

Thanks Randy and good morning everyone. Total sales for the second quarter of 2015 were $135.5 million versus $145.1 million in the second quarter of 2014, a decrease of $9.7 million or 6.7%. Due to the stronger US dollar in the current year, currency translation had a negative impact of $6.6 million for the second quarter of 2015, primarily on sales in the activated carbon and service segment.

Regarding our segments, sales in the activated carbon and service segment decreased $6.4 million or 4.9% for the second quarter of 2015 compared to 2014's second quarter. The decrease in sales was principally due to a $6.3 million negative impact of foreign currency translation.

Sales in the Americas environmental air market increased by $9 million due to sales of powered activated carbon for mercury removal. This increase was partially offset by lower sales in the potable water market, primarily in Asia, due to a large order in 2014 that did not repeat in 2015, as well as lower demand and the timing of certain municipal carbon fills in both Asia and the Americas. Sales also declined in the Americas environmental water and food markets due to certain orders from the prior year that did not repeat in 2015.

Equipment sales decreased $2.2 million or 18.6% in the second quarter of 2015 versus the comparable 2014 period. The decrease was primarily due to lower demand for carbon absorption equipment resulting from the completion of projects related to installations for the initial Disinfectants and Disinfection Byproducts rule as well as a decline in our customers' project related discretionary spending, primarily in the oil and gas market. In addition, lower ballast water treatment system revenues were partially offset by higher sales of traditional ultraviolet light systems that resulted from revenue recognized on a large municipal drinking water project.

Sales in the consumer segment decreased $1.1 million, or 32.8%, as compared to the second quarter of 2014 due to higher demand from a single customer in 2014 that did not repeat in the current year. In addition, foreign currency translation negatively impacted current-year second-quarter sales by approximately $200,000.

Consolidated gross profit before depreciation and amortization as a percentage of net sales was 37.5% in the second quarter of 2015 compared to 34.4% in the second quarter of 2014, an increase of 3.1 percentage points. The increase was primarily in the activated carbon and service segment and includes a $1.2 million or an approximate 1 percentage point benefit related to the import duty refunds in connection with the Trade Preferences Extension Act of 2015 that was signed into law on June 29, 2015. In addition, approximately $1.2 million of the improvement resulted from higher-margin products sold, including FLUEPAC products for mercury control, coupled with the declining volume of lower margin products sold, particularly in Asia. The Company's cost improvement programs include the lower coal costs of approximately $700,000 primarily from two long-term coal contracts, and increased carbon production plans of approximately 1% during 2015 also favorably contributed to margin improvement in all geographic regions.

Our equipment segment also favorably contributed to the second-quarter 2015 gross profit before depreciation and amortization as a result of improved margins and reductions in estimated costs to complete certain projects in progress collectively totaling $900,000.

Depreciation and amortization expense in the second quarter of 2015 increased by $900,000 to $8.5 million as compared to last year's second quarter. The increase was primarily due to higher depreciation expense related to improvements to the Company's Catlettsburg, Kentucky virgin carbon manufacturing facility and accelerated depreciation expense of approximately $700,000 due to certain assets that are being replaced in the second half of the year as a result of new projects, including primarily the Company's SAP reimplementation project that went live in July.

Selling, administrative, and research expenses were $22.6 million during the second quarter of 2015, in line with our expectations, versus $21.2 million in 2014, an increase of $1.4 million or 6.8%. Costs related to the Company's SAP reimplementation project, which totaled $1.8 million in the second quarter of 2015, were approximately $700,000 higher than in last year's second quarter. In addition, $1.2 million in higher outside consulting services were offset by the favorable impact of foreign currency translation of $900,000.

Our effective income tax rate for the second quarter of 2015 was 34.2%, in line with our expectations. This compares with last year's second-quarter effective income tax rate of only 27.3%, which included a net $1.4 million discrete benefit related to a completed IRS examination and the effective settlement and release of uncertain tax positions.

In summary, net income for the second quarter of 2015 was $12.6 million versus net income of $15.2 million for the second quarter of 2014. On a fully diluted share basis, earnings per common share were $0.24 for the second quarter of 2015 as compared to $0.28 for the second quarter of 2014.

Turning to the Company's business segments again, the activated carbon and service segment recognized $27.3 million in operating income before depreciation and amortization in the second quarter of 2015 compared to $28.7 million in the second quarter of 2014. The positive effects from a more favorable mix of products sold, our cost reduction initiatives, and the expected import duty refunds under the Trade Preferences Extension Act of 2015 were more than offset by unfavorable impacts from currency translation and higher selling, administrative and research expenses.

The equipment segment recognized $400,000 of operating income before depreciation and amortization in the second quarter of 2015 compared to a $600,000 operating loss for the second quarter of 2014. The $1 million improvement was primarily due to improved margins and a decrease in estimated costs to complete certain in-process projects as well as lower selling, administrative and research expenses as a result of cost improvement actions taken in 2014, including headcount reductions in our Hyde Marine UV business. Backlog for the equipment segment was $14.2 million as of June 30, 2015.

The consumer segment recognized $600,000 in operating income before depreciation and amortization in the second quarter of 2015 compared to $800,000 in the second quarter of 2014. The decrease was related to lower activated carbon and cloth sales volume.

Turning now to our balance sheet and cash flows, cash increased slightly during the second quarter of 2015 and at June 30, we have approximately $50 million of cash. Receivables were $97.7 million for the second quarter of 2015, which is approximately $2.4 million higher than at the end of 2014. Inventories were $106.9 million at June 30, an increase of $8.5 million from the end of 2014. This increase is primarily due to an increase in the quantities of outsourced materials as we begin to execute on our initiative to source more outsourced product into the current year for new market areas.

Cash flow provided by operations was $17.1 million for the second quarter of 2015, which is a decrease of $13.2 million compared to the second quarter of 2014. The decrease was primarily due to the inventory increase I just mentioned.

As of June 30, our total debt outstanding approximates $90 million, which represents an increase of $18.7 million from year-end. This increase relates to borrowings under our US credit facility which supplemented our operating cash flow for our capital expenditure investments and returning value to shareholders through share repurchases and common stock dividend payments.

Capital expenditures totaled $18 million in the second quarter of 2015 and were primarily for improvements to the Company's Catlettsburg, Kentucky activated carbon manufacturing facility along with expenditures related to the Company's new headquarters facility, including our new research and development innovation center. For the first six months of the year, capital expenditures totaled approximately $34 million.

During the second quarter, we continued to return value to shareholders through our open market share repurchase program by purchasing 311,000 shares for $6.7 million. We remained active after the end of the quarter and used approximately $4 million to purchase an additional 212,000 shares during July. Year-to-date through the end of July, we've spent $12.3 million to purchase 604,000 shares, which brings our remaining authorization for future share repurchases to approximately $95 million.

Dan Crookshank - *Calgon Carbon Corporation - IR Director*

Thanks Steve. We will now hear from Bob O'Brien for the operations review.

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

Thanks Dan. As Randy and Steve already mentioned, our profitability and specifically our gross margin before depreciation and amortization continues to improve. This improvement is due in part to specific capital investments over the past few years that, in addition to increasing our virgin activated carbon and reactivation capacity, have also contributed to production efficiencies which are combined to lower our overall product cost.

Also contributing are the five-year agreements entered into approximately two years ago for the procurement of a majority of our coal requirements. So far this year, we've realized a $1.2 million reduction in our coal costs and expect additional benefits in the back half of the year.

Let me update you on our in-progress capital investment projects. In the United States, the pace of are two primary capital projects, one to debottleneck a virgin carbon production line at Big Sandy and the second, to refurbish and expand our Neville Island reactivation plant, continue to be impacted by the environmental permitting process. Beginning with our Neville Island project, we now believe the permitting process will be completed by October of this year. With an estimated 15-month production scheduled starting in October 2015, we anticipate that the plant will be back in operation by the first quarter of 2017.

At Big Sandy, the debottlenecking of one of our three production lines is occurring in two phases. The first portion of the project was completed late last year and has given us additional capacity of about 2.3 million pounds. The timing of the second phase of the project, which would add an additional 5 million pounds of capacity, has not yet been finalized as we continue to work through the environmental permitting process. Construction work in the second phase, however, will need to be coordinated with planned maintenance activity on this line.

In addition to this work, other productivity enhancement investments occurring at Big Sandy plant and elsewhere remain on track. We continue to expect our normalized virgin granular activated carbon production capacity to increase to approximately 162 million pounds by the end of 2015 from 156 million pounds at the end of 2014.

In Europe, our construction work on refurbishment and expansion of our potable water reactivation facility in Tipton, UK is nearing completion. Despite minor delays related to weather and the timing of supplier deliveries, the project remains on budget and we expect to bring the facility online in September. The Tipton facility will be capable of meeting the needs of all of our potable water customers in the UK. Company-wide, we now expect total capital investments for the year to be in the range of $70 million to $75 million.

Moving to our markets and starting with municipal water, the use of activated carbon and specifically the use of Calgon Carbon's product and services continues to increase. Our strategy in this market remains one of providing cost-effective solutions to meet the current and future needs of our water utility customers. As Randy mentioned earlier, we were awarded a significant reactivation contract extension in Europe and a notable new virgin activated carbon fill in Michigan.

Although the EPA states due the Disinfection Byproducts Rule is in its final phase of implementation, we continue to expect further growth in the installed base of granular activated carbon in the US. Numerous water utilities, including some that are very large, continue to evaluate a change to granular activated carbon as their form of DBP control. Including the impact of this driver, we expect to see growth in the installed base of granular activated carbon at US water utilities increase by as much as 10 million pounds this year.

In addition to the new Michigan municipality award, our results in the second quarter included initial virgin carbon fills at municipalities in Texas and Colorado that totaled 3 million pounds. Of the 8,900 or so community water systems in the US that represent our primary addressable market, only about 10% are currently using granular activated carbon. With the increase in the amount of installed granular activated carbon comes the opportunity to convert these customers to custom reactivation. We continue to be successful in this area as we have added 14 new reactivation accounts to our list over the first six months of the year, bringing our total number of accounts in North America to nearly 140.

Customer reactivation is a prime example of an area of our business that can be inconsistent on a quarter-to-quarter basis however, due to the potential for significant variability in the frequency and timing of reactivation. As Randy mentioned earlier, we experienced some of this variability this quarter.

With respect to our industrial markets, Randy already commented on the market dynamics we are seeing in the sweetener and the oil and gas markets. However, I would like to add that we are beginning to see some success from our focus on distributing outsourced products and we saw gains this quarter from the sale of coconut carbon.

In Latin America, we are pleased with the progress that we have made in the Brazilian market in building key customer and distributor relationships as well as in creating awareness of the cost effectiveness of our granular activated carbon solutions. We continue to expect this effort to lead to growth in Brazil as economic conditions there begin to improve.

Now, a brief comment on import tariffs. Let me remind you that, in early May, the US Department of Commerce announced a preliminary tariff rate of $0.24 per pound based on steam activated carbon that was manufactured in China and entered the US between April 1, 2013 and March 31, 2014. This compares to the current average rate of approximately $0.02 per pound. The final rate for this period will be issued in the fall. And keep in mind that there can be a large discrepancy between the preliminary and finally determined rate.

Let me conclude with ballast water. As I mentioned last quarter, we began testing our treatment systems in order to obtain US Coast Guard type approval and to apply for an updated IMO type approval. We are moving along on schedule and all tests conducted to date have been successful in meeting the protocols that we believe will ultimately be adopted by the US Coast Guard for certification of UV-based ballast water management systems. We expect our testing to be completed in the first half of 2016.

We were successful in obtaining four new orders for ballast water systems in Q2, which was, however, a significant decline from prior quarters. We believe there were two major factors leading to this slower order pattern.

First, the persistent low oil prices negatively impacted orders for vessels which service offshore oil platforms. These vessels had been a major component of our customer base.

Second, the realization by the shipping industry that IMO ratification is drawing closer was offset by the fact that US Coast Guard has not yet granted type approval for any ballast water treatment system. This we believe has led many shipping companies which had been early adopters to delay purchasing decisions until there is more clarity on the US position.

Our ballast water revenues for the first half of the year have remained fairly steady in comparison with 2014, but our equipment segment's backlog declined to $14.2 million from $18.3 million at the end of last year. This was driven almost entirely by the lower rate of ballast water system orders. Based on these dynamics, we now expect our total ballast water equipment revenues to be down in 2015 compared to last year.

With the fast approaching final US Coast Guard rule compliance date of January 1, 2016, where all sizes of ships will come under regulation, we are, however, beginning to see a pickup in the number of requests for quotes, including particularly more interest for retrofits. We therefore do expect to see our order activity return to a higher level in the second half of the year, which would bode well for 2016.

At the same time, the number of vessels that have been granted two-year compliance extensions by the Coast Guard has increased to more than 1,200 as of June 30 compared to 330 at the beginning of the year. Although a negative in the very near term, this is another indicator that the market is paying attention to the upcoming compliance date and is a tangible indicator of the pent-up demand that will come into this market once the IMO convention is ratified and the Coast Guard begins to grant type approvals for ballast water systems. Given this status and expected time to complete our testing, we believe we are in an excellent position to garner our fair share of this market as it develops moving forward.

The acceptance of the Hyde GUARDIAN product line remains very strong. Published estimates from industry sources show Hyde Marine maintaining its overall market share and holding a very significant share of the retrofit market to date.

That concludes the operations review, Dan.

Dan Crookshank - *Calgon Carbon Corporation - IR Director*

Thanks Bob. Steve will now discuss the outlook for the third quarter. Steve?

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

Thank you Dan. Let me first start with revenues, including the impact of foreign exchange. Revenues in the first two quarters have been negatively impacted by the strong dollar and relative to last year have been reduced by $6.3 million and $6.6 million respectively. We expect foreign exchange headwinds to continue and for the impact in the third quarter to be approximately $6 million to $7 million.

On the plus side, we expect another strong quarter in mercury control as well as a stronger quarter in the municipal water market and a 70% sequential improvement in sales in Japan. In total, we believe 2015's third-quarter sales will improve sequentially by $5 million to $10 million.

Margins. Third-quarter 2015 gross margins before depreciation and amortization are expected to decline sequentially to approximately 36%, primarily reflecting the absence of the $1.2 million import duty refund benefit recognized in the second quarter of 2015.

Depreciation and amortization. We expect depreciation and amortization to decrease slightly sequentially.

Operating expenses. We expect operating expense in dollars to be approximately flat sequentially and to decline as a percentage of sales to slightly below 16%.

Income taxes. We expect our effective tax rate to be approximately 34%.

I will now turn it over to Randy.

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

Thanks Steve. So while we are disappointed by not achieving our revenue targets this quarter, we realize and want to ensure that you do as well that our strategic focus on driving near and long-term revenue growth for Calgon Carbon is not something that will be accomplished on a straight line quarter after quarter. Our results this quarter, which on whole I would describe as another quarter of very solid execution, represent a good example of the quarterly variation we can expect to see from time to time in the slope of the growth trajectory we are targeting.

As I mentioned in this morning's press release and based on the current market dynamics we've just described for you, we expect the second half to reflect revenue growth compared to the first half of this year as well as compared to the second half of last year. Despite the challenges of the second quarter, expected continued currency translation headwinds and slower than previously expected materialization of the ballast water equipment market, I still believe we have the opportunity to deliver modest growth in revenues for the full year compared to 2014.

Moving beyond 2015's financial results, let me conclude by reminding you of our strategic focus areas to drive future revenue growth and increase shareholder value. I already mentioned two of these earlier in establishing a strong position in what we believe will continue to be an emerging mercury market in the US and fully utilizing our updated ERP system to better manage global business and create efficiencies.

Our other areas of strategic focus include expanding our efforts to increase our presence in Latin America. Teams are in place opening doors for growth opportunities throughout the region.

I am now happy to report that we are moving forward on establishing a presence in India. Similar to our Lat-Am approach, our goal will be to identify key markets and multinational customers who value the product and services Calgon Carbon offers. We will continue strengthening our partnerships with global activated carbon producers to provide quality products for Calgon Carbon that will allow us to expand into new markets and secure long-term sourcing as well.

We have been strong in bituminous coal and coconut-based carbon products but are now expanding our offerings to other base materials. This is a new and unique approach for our company.

We as well will focus on acquiring assets that will allow us to expand our internal activated carbon portfolio, that will provide a stronger presence in other countries such as Brazil, India, and perhaps South Korea, and will allow us to provide a more balanced growth platform which could come from a geographic, a regulatory focus or a product technology expansion, including technologies adjacent to activated carbon.

And the last point that I would like to make is that we will remain focused on continued margin expansion and returning capital to shareholders through dividends and through other share repurchases. We believe our execution in these areas will drive future growth in revenues and profitability at Calgon Carbon.

So we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Kevin Maczka, BB&T Capital Markets.

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

Thanks. Good morning. First question, if I can ask a revenue question that is not related to mercury. In the core business, excluding mercury, we didn't have much growth in 2012 or 2013. We had a little bit in 2014 and now, excluding currency in mercury, it looks like we are about flat again year-to-date in 2015. I'm just wondering if you can address your expectations there. How much of this is the result of maybe being somewhat capacity constrained versus some of these markets just not advancing the way you thought? I know there were some unique situations in Q2.

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

Kevin, this is Randy. I would not say that these are due to capacity constraints that we are seeing. We do believe this is a quarter whereby, again, reactivation is being delayed, pushed out. Some projects we expected this quarter, we had predicted this quarter, have been pushed out to the third or fourth quarter. We truly believe that is -- the fundamentals, as we said in our comments, our market position, the share, everything seems to be solid. That being said, it is very important for us to initiate these growth opportunities. We've talked about the reengineering of our outsource strategy. We have talked about our globalization into Lat-Am and now into India. We do believe that there's opportunities that we have not been able to capitalize on on revenue outside of mercury that could help take us to the next level.

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

Randy, when you look at the quarter, there was quite a list of things that kind of impacted the topline here -- weather, oil, sweeteners, Japan, reactivation cycles. Can you at least directionally kind of size those? What was the biggest headwind? I mean usually we don't talk much about things like weather and oil.

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

I would definitely say that when you look at our municipal business and our industrial business, a lot of that was reactivation. That played a key part in the quarter. And again, to tie into the wet late spring/early summer that we've had, the demand for water is down and with that also revenues. And that is playing into when municipalities are going to choose to slop out their carbon. So that is a big piece.

In terms of the oil and gas market, not only the direct customers we have in oil and gas are now impacted by the fact that this market is slow, but there's a lot of ancillary businesses that also supply to them that we are seeing slow right now just because the demand for oil and gas is down. So that's another bigger chunk, which, when that market returns, we'll be prepared to see that increase, increase again.

With the sugar market, that is one right now where we truly are seeing a switch away from the high fructose corn sweeteners, which was a higher demand for the carbon than the cane sugar, which is now a lesser demand. This is a switch that we will see going away and see business decline there.

So overall, it's not that the fundamentals are changing. It's just that we have these one-quarter differences that are affecting the results.

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

On that point, Randy, on the sweeteners, can you say a little bit more about that? Like how much business is at risk here? What kind of declines are you seeing? It sounds like this isn't just a Q2 thing that reverses in Q3.

And then also on Japan, when you talk about increased competitive pressures, what exactly are you seeing and how severe is that?

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

I am going to have Bob talk about the specifics of the sugar market.

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

The sweeteners, we've probably seen about a 10% decrease in our business, which in a quarter probably amounts to less than $2 million, maybe $1.5 million to $2 million. And we are monitoring this trend. Basically, it's a -- in the US, it is sort of like a perceived health benefit using cane sugar relative to corn sweeteners. So the manufacturers of corn sweeteners, some of the major companies in the US, are seeing a decline in their business. I personally think it is going to stabilize and probably at the levels that we are at, but they are being impacted by -- and you may see it every day -- products that are saying they use cane sugar rather than fructose. So I believe it is going to stabilize but that is an issue that the manufacturers of fructose are fighting.

There in some impact also in the sweetener market in Europe where they again make corn-based and wheat-based sugars, and beet sugar in Europe. And they for years have had protection from imports of cane sugar with import restrictions. Those import restrictions are starting to go away, so their markets also are being impacted. So, we are seeing that effect in both the Americas and Europe and as I mentioned probably is affecting our business by about 10% overall in that market.

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

And on Japan -- that will be my last question, if you can just touch on the Japan increased competitive pressures?

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

We continue to see competition from Chinese products in Japan. Obviously, they are right next to China. So we are looking to, as part of our overall strategy, as we've mentioned in previous calls, keep more of our US product in the US and supply Asia and Europe with more outsourced products. So, we are seeing more products in Japan coming from China, and in fact that is probably the direction that we are heading. We have been purchasing products in China and supplying them into the Japanese market at probably not that much of a difference than our overall margin, frankly. So that is going to continue.

We have strategies in place to try and improve our overall operations in Japan, and one of those I think that Randy alluded to or mentioned is that we are going to be producing some products, some DSDN products, which are pellets used for de-SOx and de-NOx in Japan, which we have already received a contract for which is going to improve our business in the second half of the year. So we are offsetting the competitive impact of the Chinese by in fact joining them to some extent and also by producing more products for the de-SOx, de-NOx market.

Operator

Dan Mannes, Avondale.

Dan Mannes - *Avondale Partners - Analyst*

Good morning everyone. I have a couple of quick ones here. First, obviously a lot of discussion on mercury, given the Supreme Court. Can you maybe remind us of the I guess the potential for 2016, how much do you view at risk? I don't know what your legal experts are telling you, but when do you expect to actually get some resolution out of the DC Circuit on whether they are going to vacate or just remand the rule or (technical difficulty)?

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

If I could, Dan, let me start with the second part of the question and then we will go back to looking at our sales. But as you can imagine, we have spent a considerable amount of time since June 29 talking to environmental lawyers, energy lawyers, EPA lawyers, the EPA itself, lawyers that know the DC circuit Court of Appeals to understand and to be able to get a feel as to the direction this is going. Again, we express our opinion as to what we believe could potentially happen here.

In terms of timing, there are some things happening. For instance, we are now aware and I could say with certainty that the DC Circuit Court of Appeals has indeed received everything they needed from the Supreme Court. That was a question of how long that would take because they can't really start acting until they have it. They now have it as of a few days ago.

We also know that there are being motions filed. There is a lot of activity happening around this which would lead one to believe that perhaps things are going to happen sooner than later. Again, that is speculation, but all of the activity and the experts that we talk to would tend to think that this thing hopefully will get resolved quickly.

Now, in terms of our impact, and we laid this out, the existing business of roughly 140 million pounds, we believe that is going to stay. That is not going anywhere -- standard pounds. As we said in the comments, 2015, we are looking at about another 120 million pounds of standard product being added to that. That is being served today. And then the 2016 would be roughly about 150 million pounds further, representing, as we've constantly said, $270 million to $300 million of value, which is where we focus.

Again, our belief would be that the 19 states and Canada would remain, the 2015 portion would remain is our assumption based on the conclusion we have come to, and that potentially 2016 could get delayed. Again, speculation. We don't know, but that would be the impact on the business.

We are still focused on the 30% market share in value. That continues. Obviously, we continue to strive for more. But whatever pieces fall out, that is where we will be in terms of our revenue.

Dan Mannes - *Avondale Partners - Analyst*

And one follow-up on the regulatory backdrop. With the clean power plant being rolled out, any update to your thoughts on the market are given the fact that doesn't require interim compliance until 2022, that may be beyond the scope of your view of the market?

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

That is essentially where we are at. Right now, obviously we are looking at it and if there is an opportunity for any of our products, we are going to try to find that opportunity and capitalize on that. We think it's too early. There's so much complexity and confusion and uncertainty, it is going to take years I think for that to be settled. So at this moment in time, we don't view that as being a concern. Maybe an opportunity, but right now not a concern.

Operator

David Rose, Wedbush Securities.

David Rose - *Wedbush Securities - Analyst*

Good morning. Thank you for taking my call. I have two questions. I had a couple of questions, if you don't mind, on Hyde. Actually, maybe we'll just leave it to one for now. On the decrementals on Hyde, what sort of losses should we expect for the back half of the year? It sounds like you're cutting costs but I get the impression may be the topline is following a little bit faster than you expected. So what sort of losses would we expect, if any?

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

This is Steve. I think it's, frankly, kind of hard to predict what we are seeing. And we tend to combine the Hyde and UV business and, as you know, the margins are up. The volume that is indeed forecasted to be less is going to lead to greater losses. I think it's premature for us to try and highlight how much that will be, but clearly we will struggle with covering the overhead. So we will see a difficult third and fourth quarter but really not that material to the overall entity, so not a big concern for us. And we are very hopeful that, with the second leg of the Coast Guard rule coming into effect 1-1-2016, that, before the end of the year, we will see an upturn and it will be a temporary situation for the last six months.

David Rose - *Wedbush Securities - Analyst*

On the note of UV, I understand you look at the business on a consolidated basis, but there is, as far as I can see, there is not a lot of regulatory -- there aren't a lot of regulatory drivers for increased UV aside from Hyde. And I am talking all of equipment now. So wouldn't all of equipment have the same headwind? I mean we are looking for a loss for the back half of the year for equipment?

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

This is Bob. There aren't necessarily regulatory drivers that are driving the traditional UV business other than Cryptosporidium control in the US. There are a number of projects that are ongoing that we will be competing for in the US in the second half. So there is still some regulatory impact.

The bigger opportunity I think for overall UV is in water [reeves]. And we are seeing opportunities around the world, not just in the US but we are competing for projects in Australia, we are competing for projects in the Middle East that are utilizing UV for disinfection to prevent water reeves, and in some cases actually using the advanced oxidation process, combining the UV with peroxide to destroy chemicals. So we don't expect that business actually to decline. It is difficult to predict that it is going to have a huge upswing, but we are expecting that to certainly remain stable with some opportunities for growth over the rest of this year and through the next two years.

David Rose - *Wedbush Securities - Analyst*

That is actually a great point. I appreciate it. And then maybe the second question is it wasn't quite clear for me on your oil exposure as well because you never really talk about oil. But as far as I know, this is all processing and refining, which is downstream, has been pretty positive for most of the companies in the industrial space. Effective to downstream, utilization rates are up. So how would you be affected by --

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

This is Bob again. One of the things that has affected us this year is, although the refineries are operating, a number of the refineries were having labor disputes. And we get business in refineries that are mainly aimed at environmental projects. So as they do their maintenance on tankage or pumps or anything, whatever emissions they would release they have to capture. So we traditionally get a significant number of projects that are temporary in nature that pop up during the year from refineries that utilize our absorption equipment, primarily our air absorption equipment, and they have a reactivation component. Because of the labor disputes at refineries, perhaps even more effect than the oil prices, they were focused on keeping the refineries running and maintenance projects basically were put on the back burner. So we traditionally see a number of those projects through the year. In the first half of the year, particularly in the second quarter, we almost saw none. And we know that is not a feasible long-term situation. So those labor disputes have been settled and we expect that we will start to see business back from refineries again in their maintenance activities throughout the rest of this year.

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

This is Randy. There is also an element of the ballast water treatment system that plays into this. We have had success in the last couple of years in terms of being able to provide systems for offshore vessels that support the rigs that are offshore. And obviously we are seeing a downturn there this year versus what we saw last year.

David Rose - *Wedbush Securities - Analyst*

Okay. That's helpful. Thank you very much. I appreciate it.

Operator

(Operator Instructions). Christopher Butler, Sidoti.

Christopher Butler - *Sidoti & Company - Analyst*

Good morning everyone. Just sticking with ballast water for a second, the leadership change at the IMO, is that good news as far as ballast water or is that kind of start things from scratch again?

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

I don't know that I really have a good answer to that. We know the prior head of the IMO certainly was strongly encouraging the adoption of the ballast water treatment regulation. We do not think that is going to change with the new person who is taking over, so we don't think there will be any less emphasis. Obviously, the first gentleman, the gentleman who is leaving the position, even though he was a strong proponent of a ballast water treatment system, he was not able to bring the regulation to ratification. So I think we have more hope that the incoming president will actually be able to make that happen.

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

Chris, there's two meetings I think that we will be watching that are of real significance to us. There is the IMO General Assembly meeting, which is going to be in November, November 23 through December 2. There is also the MEPC 69 and 70. They are going to occur in 2016, March and December. So obviously we will be watching those very closely to see how this develops.

Christopher Butler - *Sidoti & Company - Analyst*

And shifting back to mercury, you had indicated that some of the utilities have already negotiated prices into the rates, and we know that they have already put equipment in place. Should the mercury rule be nullified in some way by the end of this year, do you think there is a chance that some of these utilities just continue with the cleansing process because they have kind of got everything already set up? And then similarly, do we -- have you heard any indications that states are moving forward with their own regulations in light of the Supreme Court?

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

This is Bob, Chris. I think certainly there may be some utilities that, because they have it in their rate structure and perhaps because they think it is the right thing to do from an environmental standpoint, would continue to treat. Obviously, that would be their decision and each utility might come with a different view. But I would suspect that there are some that would be continuing to treat even though they weren't forced to buy the MATS regulation.

Relative to the states, we have not heard anything specific on that. If in fact the regulation would be remanded back to the EPA for a complete redo, it would not surprise me that a number of states would be getting more involved to try and set their own regulations. But we have not really heard of any specific states that have brought that back up as a subject.

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

I think everybody is waiting to see what happens in the coming months with the DC Court of Appeals and I think will dictate what states might do at that point.

Christopher Butler - *Sidoti & Company - Analyst*

I appreciate your time.

Operator

Gerry Sweeney, ROTH Capital.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Good morning everyone. A question on Latin America. I think it has been about a year since you guys actually first announced that you were going to start exploring opportunities down in that market. So any way you can give us an update as to maybe the size of that market? You've been there a year. You've sort of given some indications that you are starting to make some progress identify markets, customers, etc. But maybe give us the size of the market and when do we start to see some of that work come to fruition.

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

Sure. It's a market of about 90 million pounds of activated carbon today, primarily low-quality activated carbon that they are using. There is not a lot of high-quality product that we are accustomed to. But we believe there is a demand for that, especially with the multinational customers and with the larger chemical industry growing and the demand for water, quite honestly. We have been, over the last year, putting a team in place. We have hired engineers. We have established an office. We have been doing a tremendous amount of marketing. We have translated all of our literature into Portuguese. We have a website. We have been to many different tradeshows. And I'm very pleased with the progress.

You have heard us mention this whole rethinking of our outsource strategy. That plays into it as well in terms of providing an opportunity where perhaps the highest quality product may not be required but a good, decent quality may be required, and that is playing into this.

So, we have been talking to a lot of key accounts. I would hope, within the next year, that we are able to start announcing some type of arrangements, agreements similar to what we announced in North America. I am really pleased with what I'm seeing and what I'm hearing. It takes time. And obviously when you couple that with an economy in Brazil that is not the best at the moment, it could take a little bit more time. We knew that going in, it wasn't going to happen within a year or two. It was going to take some time. But we want to be there. We want to help establish a more higher-quality activated carbon market. We believe we are the best to do that. Just compared to India by the way. I'm sorry, go ahead.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Yes, actually that was my next question. You have been there a short amount of time, so obviously a little bit more work to be done there. But have you identified the size of the India market?

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

We estimate right now that it is about 130 million pounds. It is bigger than Brazil. Also, you see a middle-class that is demanding cleaner water and are able to drive more cars and buy water filters, and also municipalities now that are understanding the global technologies that exist for making air and water cleaner. So we are excited about the Indian market. We are just starting. In both of these regions, both of these countries, we really started at a very low basis with practically no sales. So we are optimistic that, once we have all the teams in India in place like Brazil, that we can capitalize on that.

In terms of you hear me talk about an acquisition strategy, I believe we are more aggressive with looking at things now than perhaps we have ever been. But if there is something in one of these emerging regions that could provide a platform and it makes sense that it is going to give us a decent return, absolutely that would help us along.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Okay. And then, Steve, this may be more directed at you and I am not sure how much you would be able to shed light on this, but just curious. As we go into -- you laid out CapEx for this year, but any idea of what CapEx could be next year, maybe not numbers but higher than, lower than this year, especially with MATS? It looks like it is being put on hold, so it doesn't look like there will be any plan expansion on that front, but just curious as to maybe a trend.

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

Yes, I think the long-term trend is certainly going to be lower. If we end up in the $70 million to $75 million spend range this year, while we have not done our planning for next year yet, I would expect it to decline. There will be significant spend for the Neville Island reactivation, rehabilitation and expansion. That is a big project for us and it is principally centered and focused into next year. And then there is a chance that there would be some spending at some of our virgin plants that would fall into next year. But long-term, the trend is going to be for lower spend, and that is what we will be looking to accomplish.

Gerry Sweeney - *ROTH Capital Partners - Analyst*

Great. Thank you. That is all on my end. Appreciate it.

Operator

This concludes the question-and-answer portion of today's call. I will hand the program back over to Randy Dearth for any additional or closing remarks.

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

Thank you very much. You have all heard me say over the last three years how impressed I've been with the talent at Calgon Carbon around the world. And I would like to do a shout out to our employees. To do a major SAP reimplementation takes a lot of talent, a lot of patience, a lot of time. And the devotion, the dedication, that I've seen with our employees is outstanding, so I want to thank them for all of their support in making this project a success and helping us, again, redefine this company and take it to a different level.

As I conclude, I just want to say that, despite the challenges that we laid out today, I would like to again say our market position, our market share and the level of demand that you heard us discuss today for our products and services, they are strong. They are very strong. And as I said, the second half of the year will be better than the first and we will continue to push for new initiatives that, again, will make Calgon Carbon even more valuable to shareholders.

Thank you all for listening today and we look for to talking to you next quarter.

Operator

Thank you for joining Calgon Carbon's second-quarter earnings results. You may disconnect and have a great afternoon.