

CALGON CARBON CORPORATION

Form 10-K

February 26, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

- Transition Report Pursuant to Section 12 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____.

Commission file number 1-10776

Calgon Carbon Corporation

(Exact name of registrant as specified in its charter)

Delaware

25-0530110

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**400 Calgon Carbon Drive
Pittsburgh, Pennsylvania**

15205

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (412) 787-6700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.01 per share
Rights to Purchase Series A Junior

New York Stock Exchange
New York Stock Exchange

Participating

Preferred Stock (pursuant to Rights

Agreement dated

as of January 27, 2005)

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller company)

Accelerated filer

Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of February 22, 2010, there were outstanding 55,976,413 shares of Common Stock, par value of \$0.01 per share. The aggregate market value of the voting stock held by non-affiliates as of June 30, 2009 was \$735,608,677. The closing price of the Company's common stock on June 30, 2009, as reported on the New York Stock Exchange was \$13.89.

The following documents have been incorporated by reference:

Document

Proxy Statement filed pursuant to Regulation 14A in connection with registrant's

Annual Meeting of Shareholders to be held on April 22, 2010

Form 10-K Part Number

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Forward-Looking Information Safe Harbor

This Annual Report contains historical information and forward-looking statements. Forward-looking statements typically contain words such as expect, believes, estimates, anticipates, 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 this Annual Report pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. Some of the factors that could affect future performance of the Company are higher energy and raw material costs, costs of imports and related tariffs, labor relations, 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 Annual Report, please refer to the discussions of risk factors and other information detailed in, as well as the other information contained in this Annual Report.

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PART I

Item 1. Business:

The Company

The Company is a global leader in products, services, and solutions for purifying water and air. The Company has three reportable segments: Activated Carbon and Service, Equipment, and Consumer. Each reportable segment is a global profit center which makes and sells different products and services.

The Activated Carbon and Service segment manufactures granular and powdered activated carbon for use in applications to remove organic compounds from water, air, and other liquids and gases. The service aspect of the segment consists of the leasing, monitoring and maintenance of carbon adsorption equipment (explained below). The Equipment segment provides solutions to customers' air and water purification problems through the design, fabrication, installation, and sale of equipment systems that utilize a combination of the Company's enabling technologies: carbon adsorption, ultraviolet light (UV), and advanced ion exchange separation (ISEP). The Consumer segment primarily consists of the manufacture and sale of carbon cloth and new consumer products which utilize the Company's technologies already proven in large-scale industrial applications.

Calgon Carbon Corporation was organized as a Delaware corporation in 1967.

Products and Services

The Company offers a diverse range of products, services, and equipment specifically developed for the purification, separation and concentration of liquids, gases and other media through its three business segments. The Activated Carbon and Service segment primarily consists of activated carbon products, field services, and reactivation. The Equipment segment designs and builds systems that include multiple technologies. The Consumer segment supplies carbon products, including activated carbon cloth, for everyday use by consumers. Activated carbon cloth is used in many filtration, adsorption, and separation applications for use in markets such as industrial and medical. For further information, refer to Note 18 to the Company's consolidated financial statements contained in Item 8 of this Annual Report.

Activated Carbon and Service. The sale of activated carbon is the principle component of the Activated Carbon and Service business segment. Activated carbon is a porous material that removes organic compounds from liquids and gases by a process known as adsorption. In adsorption, organic molecules contained in a liquid or gas are attracted and bound to the surface of the pores of the activated carbon as the liquid or gas is passed through.

The primary raw material used in the production of the Company's activated carbons is bituminous coal which is crushed, sized and then processed in low temperature kilns followed by high temperature furnaces. This heating process is known as activation and develops the pore structure of the carbon. Through adjustments in the activation process, pores of the required size and number for a particular purification application are developed. The Company's technological expertise in adjusting the pore structure in the activation process has been one of a number of factors enabling the Company to develop many special types of activated carbon available in several particle sizes. The Company also markets activated carbons from other raw materials, including coconut and wood.

The Company produces and sells a broad range of activated, impregnated or acid washed carbons in granular, powdered or pellet form. Granular Activated Carbon (GAC) particles are irregular in shape and generally used in fixed filter beds for continuous flow purification processes. Powdered Activated Carbon (PAC) is carbon which has been pulverized into powder and often used in batch purification processes, in municipal water applications and for flue gas emissions control. Pelletized activated carbons are extruded particles, cylindrical in shape, and typically used for gas phase applications due to the low pressure drop, high mechanical strength and low dust content of the product.

Another important component of the Activated Carbon and Service business segment are the optional services associated with supplying the Company's products and systems required for purification, separation, concentration, taste and odor control. The Company offers a variety of treatment services at customer facilities including carbon supply, equipment leasing, installation and demobilization, transportation, and spent carbon reactivation. Other services include

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feasibility testing, process design, performance monitoring, and major maintenance of Company-owned equipment. The central component of the Company's service business is reactivation of spent carbon and re-supply. In the reactivation process, the spent carbon is subjected to high temperature re-manufacturing conditions that destroy the adsorbed organics and assure the activated carbon is returned to usable quality. The Company is fully permitted to handle spent carbons containing hazardous and non-hazardous organic compounds (see related discussion in Regulatory Matters). This recycling is conducted at several locations throughout the world. Granular activated carbon is reactivated for environmental and economic reasons to destroy hazardous adsorbed organic compounds and also to conserve natural resources. The Company provides reactivation/recycling services in packages ranging from a fifty-five gallon drum to truckload quantities.

Transportation services are offered via bulk activated carbon deliveries and spent carbon returns through the Company's private fleet of trailers, capable of transporting both RCRA hazardous and non-hazardous material. The Company will arrange transportation for smaller volumes of activated carbon in Department of Transportation approved containers and small returnable equipment through a network of less-than-truckload carriers.

Purification services provided by the Company are used to improve the quality of water, food, chemical, pharmaceutical and petrochemical products. These services may be utilized in permanent installations or in temporary applications, such as pilot studies for new manufacturing processes or recovery of off-specification products.

Sales from continuing operations for the Activated Carbon and Service segment were \$358.2 million, \$342.3 million, and \$295.6 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Equipment. Along with providing activated carbon products, the Company has developed a complete line of standardized, pre-engineered, adsorption systems capable of treating liquid flows from 1 gpm to 1,400 gpm which can be quickly delivered and easily installed at treatment sites. These self-contained adsorption systems are used for vapor phase applications such as volatile organic compound (VOC) control, air stripper off-gases, and landfill gas emissions. Liquid phase equipment systems are used for applications of potable water process purification, wastewater treatment, groundwater remediation and de-chlorination. The Company also custom designs systems to solve unique treatment challenges, providing equipment for activated carbon, ion exchange resins or ultraviolet (UV) technologies each of which can be used for the purification, separation and concentration of liquids or gases.

More than 20 years ago, the Company introduced an advanced UV oxidation process to remediate contaminated groundwater. In 1998, the Company's scientists invented a UV disinfection process that could be used to inactivate *Cryptosporidium*, *Giardia* and other similar pathogens in surface water, rendering them harmless to humans. The UV light alters the DNA of pathogens, killing them or making it impossible for the pathogens to reproduce and infect humans. In combination with hydrogen peroxide, UV light is effective in destroying many contaminants common in groundwater remediation applications. The Company is a leader in the marketplace for innovative UV technologies with the Sentinel® line designed to protect municipal drinking water supplies from pathogens, the C3 Series open-channel wastewater disinfection product line for municipal wastewater disinfection, and Rayox® UV advanced oxidation equipment for treatment of contaminants such as 1,4-Dioxane, MTBE, and Vinyl Chloride in groundwater, process water and industrial wastewater.

The Company also produces a wide range of odor control equipment which typically utilizes catalytic activated carbon to control odors at municipal wastewater treatment facilities and pumping stations.

UV oxidation equipment can also be combined with activated carbon to provide effective solutions for taste and odor removal in municipal drinking water. Backed by years of experience and extensive research and development, the Company can recommend the best solution for taste and odor problems, whether it's using activated carbon, UV oxidation, or both. The Company also offers a low cost, non-chemical solution for quenching excess peroxide upon completion of the advanced oxidation processes.

The proprietary ISEP® (Ionic Separator) continuous ion exchange units are used for the purification and recovery of many products in the food, pharmaceutical, and biotechnology industries. The ISEP® Continuous Separator units perform ion exchange separations using countercurrent processing. The ISEP® and CSEP® (chromatographic separator) systems are currently used at over 300 installations worldwide in more than 40 applications in industrial settings, as well as in selected environmental applications including perchlorate and nitrate removal from drinking water.

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Sales from continuing operations for the Equipment segment were \$43.9 million, \$47.3 million, and \$41.3 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Consumer. The primary product offered in the Consumer segment is carbon cloth. Carbon cloth, which is activated carbon in cloth form, is manufactured in the United Kingdom and sold to the medical, military, and specialty markets.

Activated carbon and carbon cloth are used as the primary raw material in the Company's consumer home products group. The Company currently has two primary product lines that it markets to the retail channel. The first product line, PreZerve® storage products, uses carbon cloth to protect and preserve jewelry and keepsakes from deterioration. The PreZerve® line currently offers over 40 different items. The second product line, AllGone®, is an odor elimination system that utilizes activated carbon discs to adsorb odors and impurities from the air safely and naturally.

Sales from continuing operations for the Consumer segment were \$9.8 million, \$10.7 million, and \$14.2 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Markets

The Company participates in six primary areas: Potable Water, Industrial Process, Environmental Water, Environmental Air, Food, and Specialty Markets. Potable Water applications include municipal drinking water purification as well as point of entry and point of use devices. Applications in the Industrial Process Market includes catalysis, product recovery and purification of chemicals, and pharmaceuticals as well as process water treatment. Remediation of water and VOC removal from vapor are the major sub segments for the two Environmental markets. Food applications include brewing, bottling and sweetener purification. Medical, personal protection (military and industrial), cigarette, automotive, consumer, and precious metals applications comprise the Specialty Market.

Potable Water Market. The Company sells activated carbons, equipment, services, ion exchange technology, and UV technologies to municipalities for the treatment of potable water to remove disinfection by-products and their precursors, pesticides and other dissolved organic and inorganic material to meet or exceed current state or federal regulations and to remove tastes and odors to make the water acceptable to the public. The Company also sells to OEM manufacturers of home water purification systems. Granular and powdered activated carbon products are sold in this market and in many cases the granular carbon functions both as the primary filtration media as well as an adsorption media to remove the contaminants from the water. Ion exchange resins are sold in both fixed beds and continuous counter-current operations to meet strict regulatory guidelines for perchlorate in water. UV oxidation and UV disinfection systems are sold for the destruction or inactivation of waterborne contaminants and organisms.

Industrial Process Market. The Company's products used in industrial processing are used either for purification, separation or concentration of customers' products in the manufacturing process or for direct incorporation into the customers' products. The Company sells a wide range of activated carbons and reactivation services to the chemical, petroleum refining, and process industries for the purification of organic and inorganic chemicals, amine, soda ash, antibiotics, and vitamins. Activated carbon products and services are also used to decolorize chemicals such as hydrochloric acid and remove pollutants from wastewater. Further, activated carbon is used in treatment of natural gas, flue gas, and other vapor streams for removal of carbon dioxide, acetylene, hydrogen, sulfur, and mercury compounds. The liquefied natural gas industry, uses activated carbons to remove mercury compounds which would otherwise corrode process equipment. Activated carbons are also sold for gasoline vapor recovery equipment.

Environmental Water and Air Markets. Providing products used for the cleanup of contaminated groundwater, surface impoundments, and accidental spills comprises the significant need in this market. The Company provides carbon, services and carbon equipment for the applications as well as emergency and temporary cleanup services for public and private entities, utilizing both activated carbon adsorption and UV oxidation technologies.

The Company offers its products and services to private industry to meet stringent environmental requirements imposed by various government entities. The Company's reactivation/recycle service is an especially important element if the customer has contaminants which are hazardous organic chemicals. The hazardous organic chemicals which are adsorbed by the activated carbons are decomposed at the high temperatures of the reactivation furnace and thereby removed from the environment. Reactivation saves the environment as well as eliminating the customers expense and difficulty in securing long-term containment (such as landfills) for hazardous organic chemicals.

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Activated carbon is also used in the chemical, pharmaceutical, and refining industries for purification of air discharge to remove contaminants such as benzene, toluene, and other volatile organics. Reduction of mercury emissions from coal-fired power plants is a growing market for the Company. In response to this market opportunity, the Company has made significant investments at its Catlettsburg, Kentucky plant. In April 2009, a previously idled production line (B-line) was restarted. This production line can produce up to 70 million pounds of FLUEPAC® powdered activated carbon annually to serve the needs of coal-fired power plants. In addition, during the fourth quarter of 2009, the Company completed construction and placed into service a pulverization facility to more efficiently produce its FLUEPAC® product at the Catlettsburg plant.

Municipal sewage treatment plants purchase the Company's odor control systems and activated carbon products to remove objectionable odors emanating from operational facilities and to treat the wastewater to meet discharge requirements. Granular activated carbon is used as a filtration/adsorption medium and the powdered activated carbons are used to enhance the performance of existing biological waste treatment processes.

The Company's UV oxidation systems offer an ideal solution for groundwater remediation and the treatment of process water and industrial wastewater. The Company's Rayox® System is an industry staple for the destruction of organic compounds in groundwater. Rayox® is also used as a process water and wastewater treatment option for the removal of alcohol, phenol, acetone, total organic compound (TOC), and chemical oxygen demand (COD)/Biological oxygen demand (BOD).

Food Market. Sweetener manufacturers are the principal purchasers of the Company's products in the food industry. As a major supplier, the Company's specialty acid-washed activated carbon products are used in the purification of dextrose and high fructose corn syrup. Activated carbons are also sold for use in the purification of cane sugar. Other food processing applications include de-colorization and purification of many different foods and beverages and for purifying water, liquids and gases prior to usage in brewing and bottling. Continuous ion exchange systems are also used in this market for the production of lysine and vitamin E as well as purification of dextrose and high fructose corn syrup.

Specialty Market. The Company is a major supplier of activated carbon to manufacturers of gas masks supplied to the United States and European military as well as protective respirators and collective filters for first responders and private industry. The markets for collective filters for military equipment, indoor air quality and air containment in incineration and nuclear applications are also serviced.

Other specialty applications using activated carbons include precious metals producers to recover gold and silver from low-grade ore, and cigarette manufacturers in charcoal filters. The Company's activated carbon cloth product is used in medical and other specialty applications.

Sales and Marketing

For the U.S., the Company operates primarily through a direct sales force and maintains sales offices in Pittsburgh, Pennsylvania; Santa Fe Springs, California; and Marlton, New Jersey. In some markets and technologies the Company also sells through agents and distributors. In Canada and in Latin America the Company maintains offices in Richmond Hill, Ontario; Sao Paulo, Brazil; and Mexico City, Mexico and sells primarily through agent/distributor relationships. In the Asia Pacific Region, the Company maintains offices in Singapore; Beijing and Shanghai, China; Taipei, Taiwan; and Tokyo and Osaka, Japan (a joint venture relationship) and uses direct sales as well as agents and distributors to manage sales.

In Europe, the Company has sales offices in Feluy, Belgium; Ashton-in-Makerfield, United Kingdom; Houghton le-Spring, United Kingdom; and Beverungen, Germany and operates through a direct sales force. The Company also has a network of agents and distributors that conduct sales in certain countries in Europe, the Middle East and Africa.

All offices can play a role in sales of products or services from any of the Company's segments. Geographic sales information can be found in Note 18 to the Company's consolidated financial statements contained in Item 8 of this Annual Report.

Over the past three years, no single customer accounted for more than 10% of the total sales of the Company in any year.

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Backlog

The Company had a sales backlog from continuing operations of \$14.8 million and \$22.3 million as of January 31, 2010 and 2009, respectively, in the Equipment segment. The decline is believed to be related to a lower level of capital spending in the marketplace in 2009 due to municipalities conserving cash during the recent economic downturn. The Company does not expect the January 31, 2010 carryover balance into 2011 to be significant.

Competition

With respect to the production and sale of activated carbon related products, the Company has a major global presence, and has several competitors in the worldwide market. Norit, N.V., a Dutch company, Mead/Westvaco Corporation, a United States company and Siemens Water Technologies, a division of Siemens AG, Erlangen, Germany, are the primary competitors. Chinese producers of coal-based activated carbon and certain East Asian producers of coconut-based activated carbon participate in the market on a worldwide basis and sell principally through numerous resellers. Competition in activated carbons, carbon equipment and services is based on quality, performance, and price. Other sources of competition for the Company's activated carbon services and systems are alternative technologies for purification, filtration, and extraction processes that do not employ activated carbons.

A number of other smaller competitors engage in the production and sale of activated carbons in local markets, but do not compete with the Company on a global basis. These companies compete with the Company in the sale of specific types of activated carbons, but do not generally compete with a broad range of products in the worldwide activated carbon business.

In the United States and Europe, the Company competes with several small regional companies for the sale of its reactivation services and carbon equipment.

The Company's UV technologies product line has primary competition from Trojan Technologies, Inc., a Canadian company owned by Danaher Corporation, a United States company, and Wedeco Ideal Horizons, a German company owned by ITT Industries, a United States company.

Raw Materials

The principal raw material purchased by the Company for its Activated Carbon and Service segment is bituminous coal from mines in the Appalachian Region as well as mines outside the United States, usually purchased under both long-term and annual supply contracts.

The Company purchases natural gas from various suppliers for use in its Activated Carbon and Service segment production facilities. In both the United States and Europe, substantially all natural gas is purchased pursuant to various annual and multi-year contracts with natural gas companies.

The Company purchases hydrogen peroxide via an annual supply contract for its UV technologies business.

The only other raw material that is purchased by the Company in significant quantities is pitch, which is used as a binder in the carbon manufacturing process. The Company purchases pitch from various suppliers in North America, Germany, and China under annual supply contracts and spot purchases.

The purchase of key equipment components is coordinated through agreements with various suppliers.

The Company does not presently anticipate any problems in obtaining adequate supplies of its raw materials or equipment components.

Research and Development

The Company's primary research and development activities are conducted at a research center in Pittsburgh, Pennsylvania. This facility is used for the evaluation of experimental activated carbon and equipment and application development. Experimental systems are also designed and evaluated at this location. A facility in Ashton-in-Makerfield, United Kingdom supplements the work performed in Pittsburgh.

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The principal goals of the Company's research program are to improve the Company's position as a technological leader in solving customers' problems with its products, services and equipment; develop new products and services; and provide technical support to customers and operations of the Company.

The Company's research programs include new and improved methods for manufacturing and utilizing new and enhanced activated carbons. The Company has commercial sales of five products for mercury removal from flue gas, including a recently commercialized product for use in high sulfur oxide applications. Development efforts will continue towards refinement of these products to optimize mercury control. In addition, the Company began offering custom potable react to provide the most cost effective solution for controlling disinfection by-product formation in municipal water. The Company continues its UV development efforts, and has recently had several systems tested for use in commercial applications. Two drinking water reactors were tested for disinfection capability and one was tested for chemical contaminant oxidation capability. Additionally, the C3 Series reuse system was tested for Title 22 certification, which is required in many jurisdictions for wastewater re-use applications.

Research and development expenses were \$5.5 million, \$4.1 million, and \$3.7 million in 2009, 2008, and 2007, respectively.

Patents and Trade Secrets

The Company possesses a substantial body of technical knowledge and trade secrets and owns 70 United States patent applications and/or patents as well as 259 patent applications and/or patents in other countries. The issued United States and foreign patents expire in various years from 2010 through 2031.

The technology embodied in these patents, trade secrets, and technical knowledge applies to all phases of the Company's business including production processes, product formulations, and application engineering. The Company considers this body of technology important to the conduct of its business.

Regulatory Matters

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

On July 3, 2008, the EPA verbally informed the Company that there are a number of unresolved RCRA violations at the Big Sandy Plant which may render the facility unacceptable to receive spent carbon for reactivation from sites regulated under the CERCLA pursuant to the CERCLA Off-Site Rule. The Company received written notice of the unacceptability determination on July 14, 2008 (the CERCLA Notice). The CERCLA Notice alleged multiple violations of RCRA and four releases of hazardous waste. The alleged violations and releases were cited in the September 2005 multi-media compliance inspections, and were among those cited in the January 2007 NOV

described in the preceding

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paragraph as well. The CERCLA Notice gave the Company until September 1, 2008 to demonstrate to the EPA that the alleged violations and releases are not continuing, or else the Big Sandy Plant would not be able to receive spent carbon from CERCLA sites until the EPA determined that the facility is again acceptable to receive such CERCLA wastes. This deadline subsequently was extended several times. The Company met with the EPA in August 2008 regarding the CERCLA Notice and submitted a written response to the CERCLA Notice prior to the meeting. By letter dated February 13, 2009, the EPA informed the Company that based on information submitted by the Company indicating that the Big Sandy Plant has returned to physical compliance for the alleged violations and releases, the EPA had made an affirmative determination of acceptability for receipt of CERCLA wastes at the Big Sandy Plant. The EPA's determination is conditioned upon the Company treating certain residues resulting from the treatment of the carbon reactivation furnace off-gas as hazardous waste and not sending material dredged from the onsite wastewater treatment lagoons offsite other than to a permitted hazardous waste treatment, storage or disposal facility. The Company has requested clarification from the EPA regarding these two conditions. The Company has also met with Headquarters of the EPA Solid Waste Division (Headquarters) on March 6, 2009 and presented its classification argument, with the understanding that Headquarters would advise Region 4 of the EPA. By letter dated January 5, 2010, the EPA determined certain residues resulting from the treatment of the carbon reactivation furnace off-gas are RCRA listed hazardous wastes and the material dredged from the onsite wastewater treatment lagoons is a RCRA listed hazardous waste and that they need to be managed in accordance with RCRA regulations. The Company has learned that the United States Department of Justice is preparing a complaint with respect to the matters. The cost to treat and/or dispose of the material dredged from the lagoons as hazardous waste could be substantial. However, by letter dated January 22, 2010, the Company received a determination from the KYDEP Division of Waste Management that the material is not listed hazardous waste when recycled as had been the Company's practice. The Company believes that pursuant to EPA regulations, KYDEP is the proper authority to make this determination. Thus, the Company believes that there is no basis for the position set forth in the EPA's January 5, 2010 letter and the Company will vigorously defend any complaint on the matter.

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

In June 2007, the Company received a Notice Letter from the New York State Department of Environmental Conservation (NYSDEC) stating that the NYSDEC had determined that the Company is a Potentially Responsible Party (PRP) at the Frontier Chemical Processing Royal Avenue Site in Niagara Falls, New York (the Site). The Notice Letter requests that the Company and other PRP's develop, implement and finance a remedial program for Operable Unit #1 at the Site. Operable Unit #1 consists of overburden soils and overburden and upper bedrock groundwater. The selected remedy is removal of above grade structures and contaminated soil source areas, installation of a cover system, and ground water control and treatment, estimated to cost between approximately \$11 million and \$14 million, which would be shared among the PRP's. The Company has not determined what portion of the costs

associated with the remedial program it would be obligated to bear and the Company cannot predict with any certainty the outcome of this matter or range of potential loss. The Company has joined a PRP group and has executed a Joint Defense Agreement with the group members. In August 2008, the Company and over 100 PRP s entered into a Consent Order with NYSDEC for additional site investigation directed toward characterization of the Site to better define the scope of the remedial project. The Company contributed monies to the PRP group to help fund the work required under the Consent Order. The additional site investigation required under the Consent Order was initiated in 2008 and completed in the spring of 2009. A

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final report of the site investigation was submitted to the NYSDEC in October 2009. In a letter dated December 31, 2009, the NYSDEC disapproved the report. The basis for disapproval include concerns regarding proposed alternate soil cleanup objectives, questions regarding soil treatability studies and questions regarding ground water contamination. The PRP Group has discussed the stated concerns with the NYSDEC and is considering alternative soil cleanup approaches.

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

In conjunction with the February 2004 purchase of substantially all of Waterlink's operating assets and the stock of Waterlink's U.K. subsidiary, several environmental studies were performed on Waterlink's Columbus, Ohio property by environmental consulting firms which identified and characterized areas of contamination. In addition, these firms identified alternative methods of remediating the property, identified feasible alternatives and prepared cost evaluations of the various alternatives. The Company concluded from the information in the studies that a loss at this property is probable and recorded the liability as a component of noncurrent other liabilities in the Company's consolidated balance sheet. At December 31, 2009 and December 31, 2008, the balance recorded was \$4.0 million. Liability estimates are based on an evaluation of, among other factors, currently available facts, existing technology, presently enacted laws and regulations, and the remediation experience of other companies. The Company has not incurred any environmental remediation expense for the years ended December 31, 2009, 2008, and 2007. It is reasonably possible that a change in the estimate of this obligation will occur as remediation preparation and remediation activity commences in the future. The ultimate remediation costs are dependent upon, among other things, the requirements of any state or federal environmental agencies, the remediation methods employed, the final scope of work being determined, and the extent and types of contamination which will not be fully determined until experience is gained through remediation and related activities. The accrued amounts are expected to be paid out over the course of several years once work has commenced. The Company has yet to make a determination as to when it will proceed with remediation efforts.

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

Indemnification. The Company has a limited indemnification agreement with the previous owner of the Company which will fund certain environmental costs if they are incurred at the Company's Catlettsburg, Kentucky plant. The Company believes that the amount of the indemnification is sufficient to fund these liabilities if they arise.

Employee Relations

As of December 31, 2009, the Company employed 953 persons on a full-time basis, 665 of whom were salaried and non-union hourly production, office, supervisory and sales personnel. The United Steelworkers represent 233 hourly personnel in the United States. The current contracts with the United Steelworkers expire on February 10, 2013 at the Columbus, Ohio facility and July 1, 2011 at the Pittsburgh, PA location. The contract at the Company's Catlettsburg,

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Kentucky facility expired on April 1, 2009. The parties are currently working under an extension of the expired agreement as they continue to negotiate the terms and conditions of a multi-year replacement agreement. The 55 hourly personnel at the Company's Belgian facility are represented by two national labor organizations with contracts expiring on July 31, 2011. The Company also has hourly employees at three non-union United Kingdom facilities, two non-union United States facilities one each located in California and Mississippi, and at two non-union China facilities.

Copies of Reports

The periodic and current reports of the Company filed with the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available free of charge, as soon as reasonably practicable after the same are filed with or furnished to the SEC, at the Company's website at www.calgoncarbon.com. All other filings with the SEC are available on the SEC's website at www.sec.gov.

Copies of Corporate Governance Documents

The following Company corporate governance documents are available free of charge at the Company's website at www.calgoncarbon.com and such information is available in print to any shareholder who requests it by contacting the Secretary of the Company at 400 Calgon Carbon Drive, Pittsburgh, PA 15205.

Corporate Governance Guidelines

Audit Committee Charter

Compensation Committee Charter

Corporate Governance Committee Charter

Code of Business Conduct and Ethics

Code of Ethical Business Conduct Supplement for Chief Executive and Senior Financial Officers

Director Orientation and Continuing Education Policy

Executive Committee Charter

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Item 1A. Risk Factors:

Risks relating to our business

Increases in U.S. and European imports of Chinese or other foreign manufactured activated carbon could have an adverse effect on our financial results.

We face pressure and competition in our U.S. and European markets from brokers of low cost imported activated carbon products, primarily from China. We believe we offer the market technically superior products and related customer support. However, in some applications, low cost imports have become accepted as viable alternatives to our products because they have been frequently sold at less than fair value in the market. If the markets in which we compete experience an increase in these imported low cost carbons, especially if sold at less than fair value, we could see declines in net sales. In addition, the sales of these low cost activated carbons may make it more difficult for us to pass through raw material price increases to our customers.

In response to a petition from the U.S. activated carbon industry filed in March 2006, the United States Department of Commerce (the DOC) announced the imposition of anti-dumping duties starting in October 2006. The DOC announcement was based on extensive economic analysis of the operations and pricing practices of the Chinese producers and exporters. The DOC announcement required U.S. Customs and Border Protection to require importers of steam activated carbon from China to post a provisional bond or cash deposit in the amount of the duties. The anti-dumping duties are intended to offset the amount by which the steam activated carbon from China is sold at less than fair value in the U.S.

In March 2007, the International Trade Commission (the ITC) determined that these unfairly priced steam activated carbon imports from China caused material injury to the U.S. activated carbon industry. The affirmative decision by the ITC triggered the imposition of significant anti-dumping duties in the form of cash deposits, ranging from 62% to 228%. The anti-dumping duties will be imposed for at least five years but are subject to periodic review within the time frame. The first review period began in April 2008 and covered the tariff period from October 2006 through March 2008. The results of this review indicated that the estimated anti-dumping duties originally imposed for this period were too high and have been substantially reduced. Reviews of annual periods subsequent to this period will begin in April of the year following the twelve month period then completed. The significant anti-dumping duties originally imposed by the DOC and the affirmative decision by the ITC has had an adverse impact on the cost of Chinese manufactured activated carbon imported into the U.S. However, the anti-dumping duties, already substantially reduced by virtue of the DOC's announced results for the first period of review, could be further reduced or eliminated in the future which could adversely affect demand or pricing of our product.

Our financial results could be adversely affected by an interruption of supply or an increase in coal prices.

We use bituminous coal as the main raw material in our granular activated carbon production process. We estimate that coal will represent approximately 65% of our carbon product costs in 2010. We have various annual and multi-year contracts in place for the supply of coal that expire at various intervals from 2010 to 2011. Interruptions in coal supply caused by mine accidents, labor disputes, transportation delays, breach of supplier contractual obligations, or other events for other than a temporary period could have an adverse effect on our ability to meet customer demand. Our inability to obtain high-quality coal at competitive prices in a timely manner due to changing market conditions with limited high-quality suppliers could also have an adverse affect on our financial results. In addition, increases in the prices we pay for coal under our supply contracts could adversely affect our financial results by significantly increasing production costs. During 2009, our aggregate costs for coal increased by \$3.0 million, or 12.9%, compared to 2008. Based upon the estimated usage of coal in 2010, a hypothetical 10% increase in the price of coal would result in \$2.0 million of additional pre-tax expenses to us. We may not be able to pass through raw material price increases to our customers.

Delays in enactment of new state or federal regulations could restrict our ability to reach our strategic growth targets and lower our return on invested capital.

Our strategic growth initiatives are reliant upon more restrictive environmental regulations being enacted for the purpose of making water and air cleaner and safer. If stricter regulations are delayed or are not enacted or enacted but subsequently repealed or amended to be less strict, or enacted with prolonged phase-in periods, our sales growth targets could be adversely affected and our return on invested capital could be reduced.

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The Company had expected increased demand for powdered activated carbon products beginning in 2009 largely driven by the EPA's Clean Air Mercury Rule, which established an emissions trading system to reduce mercury emissions from coal-fired power plants by approximately 70% over a 10 year period. On February 8, 2008, the United States Circuit Court of Appeals for the District of Columbia vacated the Clean Air Mercury Rule. Additional appeals, litigation, and regulatory proceedings could defer implementation of another EPA mercury reduction regulation for years or indefinitely. Even if adoption of a new Clean Air Mercury Rule is delayed indefinitely by the legal legislative and regulatory process, existing federal and state laws and regulations, as well as state or federal legislation introduced in response to the Court of Appeals decision and new litigation, could result in substantially more stringent regulation, resulting in higher-than expected demand for the Company's products. The Company is unable to predict with certainty when and how the outcome of these complex legal, regulatory and legislative proceedings will affect demand for its products.

Encroachment into our markets by competitive technologies could adversely affect our financial results.

Activated carbon is utilized in various applications as a cost-effective solution to solve customer problems. If other competitive technologies, such as membranes, ozone and UV, are advanced to the stage in which such technologies could cost effectively compete with activated carbon technologies, we could experience a decline in net sales, which could adversely affect our financial results.

Our business is subject to a number of global economic risks.

Financial markets in the United States, Europe, and Asia continue to experience extreme disruption, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intending to address extreme market conditions that include severely restricted credit and declines in values of certain assets.

An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for our products and result in a decrease in sales volume that could have a negative impact on our results of operations. Continued volatility and disruption of financial markets in the United States, Europe and Asia could limit our customers' ability to obtain adequate financing or credit to purchase our products or to maintain operations, and result in a decrease in sales volumes that could have a negative impact on our results of operations.

Our industry is highly competitive. If we are unable to compete effectively with competitors having greater resources than we do, our financial results could be adversely affected.

Our activated carbon business faces significant competition principally from Norit N.V., Mead/Westvaco Corporation and Siemens Water Technologies, as well as from European and Chinese activated carbon producers and East Asian producers of coconut-based activated carbon. Our UV technology products face significant competition principally from Trojan Technologies, Inc., which is owned by Danaher Corporation, and Wedeco Ideal Horizons, which is owned by ITT Industries. Our competitors include major manufacturers and diversified companies, a number of which have revenues and capital resources exceeding ours, which they may use to develop more advanced or more cost-effective technologies, increase market share or leverage their distribution networks. We could experience reduced net sales as a result of having fewer resources than these competitors.

Failure to innovate new products or applications could adversely affect our ability to meet our strategic growth targets.

Part of our strategic growth and profitability plans involve the development of new products or new applications for our current products in order to replace more mature products or markets that have seen increased competition. If we are unable to develop new products or applications, our financial results could be adversely affected.

Environmental compliance and remediation and potential climate change could result in substantially increased capital requirements and operating costs.

Our production facilities are subject to environmental laws and regulations in the jurisdictions in which they operate or maintain properties. Costs may be incurred in complying with such laws and regulations. Each of our domestic production facilities require permits and licenses issued by local, state and federal regulators which regulate air emissions, water discharges, and solid waste handling. These permits are subject to renewal and, in some circumstances, revocation. International environmental requirements vary and could have substantially lesser

requirements that may give competitors a competitive advantage. Additional costs may be incurred if environmental remediation measures are required. In addition, the discovery of contamination at any of our current or former sites or at locations at which we dispose of waste may expose us to cleanup obligations and other damages. For example, the

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Company has received Notices of Violations (NOVs) from the U.S. EPA and from the Kentucky Department of Environmental Protection. While the Company is attempting to resolve these matters, an unfavorable result could have a significant adverse impact on its results of operations and cash flows. If we receive similar demands in the future, we may incur significant costs in connection with the resolution of those matters. Refer to Regulatory Matters within Item 1, Business for a more detailed discussion. In addition, there is currently vigorous debate over the effect of Co² gas releases and the effect on climate change. Many of our activities create Co² gases. Should legislation or regulation be enacted, it could have a material adverse effect upon our ability to expand our operations or perhaps continue to operate as we currently do.

Our financial results could be adversely affected by shortages in energy supply or increases in energy costs.

The price for and availability of energy resources could be volatile as it is affected by political and economic conditions that are outside our control. We utilize natural gas as a key component in our activated carbon manufacturing process and have annual and multi-year contracts for the supply of natural gas at each of our major facilities. If shortages of, or restrictions on the delivery of natural gas occur, production at our activated carbon facilities would be reduced, which could result in missed deliveries or lost sales. We also have exposure to fluctuations in energy costs as they relate to the transportation and distribution of our products. For example, natural gas prices have increased significantly in recent years. We may not be able to pass through natural gas and other fuel price increases to our customers.

A planned or unplanned shutdown at one of our production facilities could have an adverse effect on our financial results.

We operate multiple facilities and source product from strategic partners who operate facilities which are close to water or in areas susceptible to hurricanes and earthquakes. An unplanned shutdown at any of our or our strategic partners' facilities for more than a temporary period as a result of a hurricane, typhoon, earthquake or other natural disaster, or as a result of fire, explosions, war, terrorist activities, political conflict or other hostilities, could significantly affect our ability to meet our demand requirements, thereby resulting in lost sales and profitability in the short-term or eventual loss of customers in the long-term. In addition, a prolonged planned shutdown of any of our production facilities due to a change in the business conditions could result in impairment charges that could have an adverse impact on our financial results.

Our inability to successfully negotiate new collective bargaining agreements upon expiration of the existing agreements could have an adverse effect on our financial results.

We have collective bargaining agreements in place at four production facilities covering approximately 30% of our full-time workforce as of December 31, 2009. Those collective bargaining agreements expire from 2011 through 2013. However, the agreement at the Company's Catlettsburg, Kentucky facility expired on April 1, 2009. The parties are working under an extension of the expired agreement as they continue to negotiate terms and conditions of a multi-year replacement contract. Any work stoppages as a result of disagreements with any of the labor unions or our failure to renegotiate any of the contracts as they expire could disrupt production and significantly increase product costs as a result of less efficient operations caused by the resulting need to rely on temporary labor.

Our pension plans are currently underfunded, and we expect to be subject to significant increases in pension contributions to our defined benefit pension plans, thereby restricting our cash flow.

We sponsor various pension plans in the United States and Europe that are underfunded and require significant cash payments. We contributed \$10.5 million and \$4.1 million to our U.S. Pension plans and \$1.8 million and \$2.1 million to our European pension plans in 2009 and 2008, respectively. We currently expect to contribute approximately \$1.6 million to our U.S. pension plans to meet minimum funding requirements and \$1.8 million to our European pension plans in 2010. The current economic environment is negatively impacting the fair value of our pension assets which could result in increased funding requirements of our pension plans. If our cash flow from operations is insufficient to fund our worldwide pension liability, we may be forced to reduce or delay capital expenditures or seek additional capital.

The funding status of our pension plans is determined using many assumptions, such as inflation, investment rates, mortality, turnover and interest rates, any of which could prove to be different than projected. If the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, or not

realized, we may be required to contribute more to our pension plans than we currently expect. For example, an approximate 25-basis point decline in the funding target interest rate under Section 730 of the Internal Revenue Code, as

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added by the Pension Protection Act of 2006 for minimum funding requirements, would increase our minimum required contributions to our U.S. pension plans by approximately \$0.8 million to \$1.1 million over the next three years.

Our pension plans in the aggregate are underfunded by approximately \$36 million as of December 31, 2009 (based on the actuarial assumptions used for Accounting Standards Codification (ASC) 715 Compensation Retirement Benefits, purposes and comparing our projected benefit obligation to the fair value of plan assets) and required a certain level of mandatory contributions as prescribed by law. Our U.S. pension plans, which were underfunded by approximately \$21 million as of December 31, 2009, are subject to ERISA. In the event our U.S. pension plans are terminated for any reason while the plans are less than fully funded, we will incur a liability to the Pension Benefit Guaranty Corporation that may be equal to the entire amount of the underfunding at the time of the termination. In addition, changes in required pension funding rules that were affected by the enactment of the Pension Protection Act of 2006 have significantly increased our funding requirements, which could have an adverse effect on our cash flow and require us to reduce or delay our capital expenditures or seek additional capital. Refer to Note 11 to our consolidated financial statements contained in Item 8 of this Annual Report.

Our international operations expose us to political and economic uncertainties and risks from abroad, which could negatively affect our results of operations.

We have manufacturing facilities and sales offices in Europe, China, Japan, Taiwan, Singapore, Brazil, Mexico, Canada, and the United Kingdom which are subject to economic conditions and political factors within the respective countries which, if changed in a manner adverse to us, could negatively affect our results of operations and cash flow. Political risk factors include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, foreign exchange restrictions, increased regulation and quotas, tariffs and other protectionist measures. Approximately 86% of our sales in 2009 were generated by products sold in the U.S., Canada, and Western Europe while the remaining sales were generated in other areas of the world, such as Asia, Eastern Europe, and Latin America.

Our European and Japanese activated carbon businesses are sourced from both the United States and China, which subjects these businesses to foreign exchange transaction risk.

Our only production facilities for virgin granular activated carbon are in the United States and China. Those production facilities are used in supplying our global demand for virgin granular activated carbon. All of our foreign operations purchase from the U.S. and China operations in U.S. dollars yet sell in local currency, resulting in foreign exchange transaction risk. We generally execute foreign currency derivative contracts of not more than eighteen months in duration to cover a portion of our known or projected foreign currency exposure. However, those contracts do not protect us from longer-term trends of a strengthening U.S. dollar, which could significantly increase our cost of activated carbon delivered to our European and Japanese markets, and we may not be able to offset these costs by increasing our prices.

We have operations in multiple foreign countries and, as a result, are subject to foreign exchange translation risk, which could have an adverse effect on our financial results.

We conduct significant business operations in several foreign countries. Of our 2009 net sales, approximately 42% were sales to countries other than the United States, and 2009 net sales denominated in non-U.S. dollars represented approximately 30% of our overall net sales. We conduct business in the local currencies of each of our foreign subsidiaries or affiliates. Those local currencies are then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. Changes in exchange rates, particularly the strengthening of the U.S. dollar, could significantly reduce our sales and profitability from foreign subsidiaries or affiliates from one period to the next as local currency amounts are translated into fewer U.S. dollars.

Our business includes capital equipment sales which could have extreme fluctuations due to the cyclical nature of that type of business.

Our Equipment segment represented approximately 11% of our 2009 net sales. This business generally has a long project life cycle from bid solicitation to project completion and often requires customers to make large capital commitments well in advance of project execution. In addition, this business is usually affected by the general health

of the overall economy. As a result, sales and earnings from the Equipment segment could be volatile.

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Declines in the operating performance of one of our business segments could result in an impairment of the segment's goodwill.

As of December 31, 2009, we had consolidated goodwill of approximately \$26.9 million recorded in our business segments, primarily from our Activated Carbon and Service and Equipment segments. We test our goodwill on an annual basis or when an indication of possible impairment exists in order to determine whether the carrying value of our assets is still supported by the fair value of the underlying business. To the extent that it is not, we are required to record an impairment charge to reduce the asset to fair value. A decline in the operating performance of any of our business segments could result in a goodwill impairment charge which could have a material effect on our financial results.

Our required capital expenditures may exceed estimates.

Our capital expenditures were \$48.3 million in 2009. Future capital expenditures may be significantly higher and may vary substantially if we are required to undertake certain actions to comply with new regulatory requirements or compete with new technologies. We may not have the capital to undertake the capital investments. If we are unable to do so, we may not be able to effectively compete.

Our international operations are subject to political and economic risks for conducting business in corrupt environments.

Although a portion of our international business is currently in regions where the risk level and established legal systems in many cases are similar to that in the United States, we also conduct business in developing countries, and we are focusing on increasing our sales in regions such as South America, Southeast Asia, India and the Middle East, which are less developed, have less stability in legal systems and financial markets, and are generally recognized as potentially more corrupt business environments than the United States and therefore, present greater political, economic and operational risks. We emphasize compliance with the law and have policies in place, procedures and certain ongoing training of employees with regard to business ethics and key legal requirements such as the U.S. Foreign Corrupt Practices Act (FCPA); however, there can be no assurances that our employees will adhere to our code of business conduct, other Company policies or the FCPA. If we fail to enforce our policies and procedures properly or maintain internal accounting practices to accurately record our international transactions, we may be subject to regulatory sanctions. We could incur significant costs for investigation, litigation, fees, settlements and judgments for potential violations of the FCPA or other laws or regulations which, in turn, could negatively affect our results of operations.

Our products could infringe the intellectual property rights of others, which may cause us to pay unexpected litigation costs or damages or prevent us from selling our products.

Although it is our intention to avoid infringing or otherwise violating the intellectual property rights of others, our products may infringe or otherwise violate the intellectual property rights of others. We may be subject to legal proceedings and claims, including claims of alleged infringement by us of the patents and other intellectual property rights of third parties. Intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim.

If we were to discover or be notified that our products potentially infringe or otherwise violate the intellectual property rights of others, we may need to obtain licenses from these parties or substantially re-engineer our products in order to avoid infringement. We might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer our products successfully. Moreover, if we are sued for infringement and lose the suit, we could be required to pay substantial damages and/or be enjoined from using or selling the infringing products. Any of the foregoing could cause us to incur significant costs and prevent us from selling our products.

We could find it difficult to fund the capital needed to complete our growth strategy.

Our current credit facility requires compliance with various affirmative and negative covenants, including limitations with respect to our ability to pay dividends, make loans, incur indebtedness, grant liens on our property, engage in certain mergers and acquisitions, dispose of assets and engage in certain transactions with our affiliates. As a result, these restrictions may prevent us from being able to borrow sufficient funds under our current credit facility to meet our future capital needs and alternate financing on terms acceptable to us may not be available.

If our liquidity would remain constrained for more than a temporary period, we may need to either delay certain strategic growth projects or access higher cost capital markets in order to fund our projects, which may adversely affect our financial results.

Our ability to utilize our foreign tax credits and net operating losses may be limited.

As of December 31, 2009, we had net operating loss carryforwards (NOLs) of approximately \$40.4 million for state income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an ownership

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change, the corporation's ability to use its pre-change NOLs and other pre-change tax attributes to offset its post-change income may be limited. An ownership change is generally defined as a greater than 50% change in its equity ownership by value over a three-year period. We could experience an ownership change in the future as a result of changes in our stock ownership. If we were to trigger an ownership change in the future, our ability to use any NOLs existing at the time could be limited.

At December 31, 2009, we had \$10.2 million of foreign tax credit carryforwards for which we have established a valuation reserve of \$3.4 million. If some or all of these tax credits expire, they will not be available to offset our tax liability.

Our stockholder rights plan and our certificate of incorporation and bylaws and Delaware law contain provisions that may delay or prevent an otherwise beneficial takeover attempt of our Company.

Our stockholder rights plan and certain provisions of our certificate of incorporation and bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These include provisions:

providing for a board of directors with staggered, three-year terms;

requiring super-majority voting to affect certain amendments to our certificate of incorporation and bylaws;

limiting the persons who may call special stockholders' meetings;

limiting stockholder action by written consent;

establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholders' meetings; and

allowing our board of directors to issue shares of preferred stock without stockholder approval.

These provisions, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of our common stock, or could limit the ability of our stockholders to approve transactions that they may deem to be in their best interest.

Item 1B. Unresolved Staff Comments:

None

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The Company owns nine production facilities, two of which are located in Pittsburgh, Pennsylvania; and one each in the following locations: Catlettsburg, Kentucky; Pearlinton, Mississippi; Blue Lake, California; Columbus, Ohio; Feluy, Belgium; Grays, United Kingdom; and Datong, China. The Company leases one production facility in each of the following locations: Coraopolis, Pennsylvania; Houghton le-Spring, United Kingdom; Ashton-in-Makerfield, United Kingdom; and Tianjin, China. The Company's 49% owned joint venture, Calgon Mitsubishi Chemical Corporation, owns one facility in Fukui, Fukui Prefecture, Japan. The Company owns two warehouses, one of which is in Pittsburgh, Pennsylvania and the other is in La Louviere, Belgium. The Company also leases 35 warehouses, service centers, and sales office facilities. Of these, twenty-six are located in the United States, four in China, and one each in the United Kingdom, Germany, Canada, Singapore, and Taiwan. Four of the United States facilities are located in Pittsburgh, Pennsylvania and one each in the following locations: Downingtown, Pennsylvania; Johnston, Rhode Island; Rockdale, Illinois; Santa Fe Springs, California; Marlton, New Jersey; Stockton, California; Tempe, Arizona; Torrance, California; Ontario, California; Schenley, Pennsylvania; South Point, Ohio; Muncy, Pennsylvania; Steubenville, Ohio; Ironton, Ohio; Troutdale, Oregon; Port Bienville, Mississippi; and Sulphur, Louisiana as well as two in Houston, Texas and three in Huntington, West Virginia. The United Kingdom facility is located in Ashton-in-Makerfield. The facility in Germany is located in Beverungen. Two of the China facilities are located in Shanghai and one each in Beijing and Tianjin. The Taiwan facility is located in Taipei. The Canadian facility is located in Richmond Hill, Ontario. The Company's 49% owned joint venture, Calgon Mitsubishi Chemical Corporation, leases four offices, one each in Tokyo and Osaka, and two in Fukuoka Prefecture. The Company's 20% owned joint venture, Calgon Carbon (Thailand) Company Ltd., leases one facility in Nakornratchasima, Thailand.

The Catlettsburg, Kentucky plant is the Company's largest facility, with plant operations occupying approximately 50 acres of a 226-acre site. This plant, which serves the Activated Carbon and Service segment, produces granular and powdered activated carbons and acid washed granular activated carbons and reactivates spent granular activated carbons.

The Pittsburgh, Pennsylvania carbon production plant occupies a four-acre site and serves the Activated Carbon and Service segment. Operations at the plant include the reactivation of spent granular activated carbons, the impregnation of granular activated carbons and the grinding of granular activated carbons into powdered activated carbons. The plant also has the capacity to produce coal-based or coconut-based specialty activated carbons.

The Pearlinton, Mississippi plant occupies a site of approximately 100 acres. The plant has one production line that produces granular and powdered activated carbons for the Activated Carbon and Service segment.

The Columbus plant occupies approximately 27 acres in Columbus, Ohio. Operations at the plant include the reactivation of spent granular activated carbons, impregnation of activated carbon, crushing activated carbon to fine mesh, acid and water washing, filter-filling, and various other value added processes to granular activated carbon for the Activated Carbon and Service segment.

The Blue Lake plant, located near the city of Eureka, California, occupies approximately two acres. The plant was previously idled and re-started in November 2008. The primary operation at the plant includes the reactivation of spent granular activated carbons for the Activated Carbon and Service segment.

The Pittsburgh, Pennsylvania Equipment and Assembly plant is located on Neville Island and is situated within a 16-acre site that includes a 300,000 square foot building. The Equipment and Assembly plant occupies 85,000 square feet with the remaining space used as a centralized warehouse for carbon inventory. The plant, which serves the Equipment and Activated Carbon and Service segments, manufactures and assembles fully engineered carbon equipment for purification, concentration and separation systems. This plant also serves as the east coast staging and refurbishment point for carbon service equipment.

The Coraopolis, Pennsylvania Engineered Solutions plant is a 44,000 square foot production facility located near Pittsburgh, Pennsylvania. The primary focus of this facility is the manufacture of UV and Ion Exchange (ISEP®) equipment, including mechanical and electrical assembly, controls systems integration and validation testing of equipment. This location also serves as the Pilot Testing facility for Process Development, as well as the spare parts distribution center for UV and ISEP® systems.

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The Company recently entered into a lease with the City of North Tonowanda, New York for use of an existing activated carbon reactivation furnace located at the city's wastewater treatment facility. This unit is currently being renovated and retrofit for the Company to use for reactivating spent activated carbon from food grade and potable water system customers. It is expected to be operational by the third quarter of 2010.

The Feluy plant occupies a site of approximately 21 acres located 30 miles south of Brussels, Belgium. Operations at the plant include both the reactivation of spent granular activated carbons and the grinding of granular activated carbons into powdered activated carbons for the Activated Carbon and Service segment.

The Grays plant occupies a three-acre site near London, United Kingdom. Operations at the plant include the reactivation of spent granular activated carbons for the Activated Carbon and Service segment.

The Ashton-in-Makerfield plant occupies a 1.6 acre site, 20 miles west of Manchester, United Kingdom. Operations at the plant include the impregnation of granular activated carbons for the Activated Carbon and Service segment. The plant also has the capacity to finish coal-based or coconut-based activated carbons.

The Houghton le-Spring plant, located near the city of Newcastle, United Kingdom, occupies approximately two acres. Operations at the plant include the manufacture of woven and knitted activated carbon textiles and their impregnation and lamination for the Consumer segment.

The Fukui, Fukui Prefecture, Japan plant is 49% owned by Calgon Carbon as part of a joint venture with Mitsubishi Chemical Company. The joint venture is Calgon Mitsubishi Chemical Corporation. The plant, which serves the Activated Carbon and Service segment, occupies a site of approximately six acres and has two production lines for carbon reactivation.

The Datong, China plant occupies 15,000 square meters. The plant produces agglomerated activated carbon intermediate product for the Activated Carbon and Service segment for use in both the potable and industrial markets.

The Tianjin, China plant is licensed to export activated carbon products. It occupies approximately 35,000 square meters. This plant finishes, sizes, tests, and packages activated carbon products for the Activated Carbon and Service segment for distribution both inside China and for export.

The Company believes that the plants and leased facilities are adequate and suitable for its current operating needs.

Item 3. Legal Proceedings:

On March 20, 2007, the Company and ADA-ES entered into a Memorandum of Understanding (MOU) providing for cooperation between the companies to attempt to jointly market powdered activated carbon (PAC) to the electric power industry for the removal of mercury from coal fired power plant flue gas. The MOU provided for commissions to be paid to ADA-ES in respect of product sales. The Company terminated the MOU effective as of August 24, 2007 for convenience. Neither party had entered into sales or supply agreements with prospective customers as of that date. On March 3, 2008, the Company entered into a supply agreement with a major U.S. power generator for the sale of powdered activated carbon products with a minimum purchase obligation of approximately \$55 million over a 5 year period. ADA-ES claimed that it is entitled to commissions of at least \$8.25 million over the course of the 5 year contract, which the Company denies. On September 29, 2008, the Company filed suit in the United States District Court for the Western District of Pennsylvania for a declaratory judgment from the Court that the Company has no obligation to pay ADA-ES commissions related to this contract or for any future sales made after August 24, 2007. The Company has been countersued alleging breach of contract. Discovery is on-going and the Company intends to vigorously defend the countersuit and pursue the declaratory judgment.

In 2002, the Company was sued by For Your Ease Only (FYEO). The case has been stayed since 2003. The case arises out of the Company's patent covering anti-tarnish jewelry boxes, U.S. Patent No. 6,412,628 (the '628 Patent). FYEO and the Company are competitors in the sale of jewelry boxes through a common retailer. In 2002, the Company asserted to the retailer that FYEO's jewelry box infringed the '628 Patent. FYEO filed suit in the U.S. District Court for the Northern District of Illinois for a declaration that the patent was invalid and not infringed, and claiming that the Company

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had tortiously interfered with its relationship with the retailer. The Company defended the suit until December 2003, when the case was stayed pending a re-examination of the 628 Patent in the Patent and Trademark Office. That patent was re-examined and certain claims of that patent were rejected by order dated February 25, 2008. The Company appealed, but the re-examination was affirmed by the Court of Appeals for the Federal Circuit. The Patent Trademark Office issued a re-examination certificate on August 25, 2009. Consequently, the stay on litigation is likely to be lifted in the next few months. The Company will assert that, notwithstanding the rejection of certain claims in the 628 Patent, the Company had a good-faith belief that its patent was valid and that FYEO's product infringed, and that such belief insulates the Company from liability for publicizing its patent. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

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

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

PART II**Item 5. Market for Registrant's Common Equity, Related Shareholder Matters, and Issuer Repurchases of Equity Securities:****Common Shares and Market Information**

Common shares are traded on the New York Stock Exchange under the trading symbol CCC. There were 1,297 registered shareholders at December 31, 2009.

Quarterly Common Stock Price Ranges and Dividends

Fiscal Quarter	2009			2008		
	High	Low	Dividend	High	Low	Dividend
First	16.79	12.00	-	18.92	13.19	-
Second	19.31	11.14	-	20.23	12.63	-
Third	16.77	10.93	-	23.03	14.04	-
Fourth	16.61	13.05	-	21.64	9.11	-

The Company did not declare or pay any dividends in 2009 and 2008. Dividend declaration and payout are at the discretion of the Board of Directors. Future dividends will depend on the Company's earnings, cash flows, and capital investment plans to pursue long-term growth opportunities. The Company's Credit Agreement contains a covenant which includes limitations on its ability to declare or pay cash dividends, subject to certain exceptions, such as dividends declared and paid by its subsidiaries and cash dividends paid by the Company in an amount not to exceed 50% of cumulative net after tax earnings following the closing date of the agreement if certain conditions are met.

The information appearing in Item 12 of Part III below regarding common stock issuable under the Company's equity compensation plan is incorporated herein by reference.

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Shareholder Return Performance Graph

The following performance graph and related information shall not be deemed filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares the yearly change in cumulative total shareholder return of the Company's common stock with the cumulative total return of the Standard & Poor's (S&P's) 500 Stock Composite Index and a Peer Group. The Company believes that its core business consists of purifying air, water and other products. As such, the Company uses a comparative peer group benchmark. The companies included in the group are Clarcor, Inc., Donaldson Co. Inc., Esco Technologies Inc., Flanders Corp., Lydall, Inc., Millipore Corp., and Pall Corp. The data for BHA Group Holdings Inc., Cuno, Inc., and Ionics, Inc. was included in the 2008 graph, however these companies were acquired between 2004 and 2005 and their common stock ceased to be publicly traded. As a result, the data for these companies is no longer included.

**Comparison of Five-Year Cumulative Total Return*
Among Calgon Carbon's Common Stock, S&P 500 Composite Index, and Peer Group**

Table of Contents**Issuer Repurchases of Equity Securities**

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
October 1 - October 31, 2009	25,529	\$15.05	-	-
November 1 - November 30, 2009	-	-	-	-
December 1 - December 31, 2009	-	-	-	-

(a) This column includes purchases under Calgon Carbon's Stock Option Plan which represented withholding taxes due from employees relating to the restricted share awards issued. Further purchases under this plan will be dependent upon employee elections and forfeitures.

Item 6. Selected Financial Data:**FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA****Calgon Carbon Corporation**

(Dollars in thousands except per share data)	2009 ⁽⁵⁾	2008 ^{*(4)}	2007*	2006 ^{*(3)}	2005
Income Statement Data:					
Net sales	\$ 411,910	\$ 400,270	\$ 351,124	\$ 316,122	\$ 290,835
Income (loss) from continuing operations	\$ 39,159	\$ 28,840	\$ 13,597	\$ (9,619)	\$ (10,507)
Income (loss) from continuing operations per common share, basic	\$ 0.72	\$ 0.65	\$ 0.34	\$ (0.24)	\$ (0.27)
Income (loss) from continuing operations per common share, diluted	\$ 0.69	\$ 0.54	\$ 0.27	\$ (0.24)	\$ (0.27)
Cash dividends declared per common share	\$ -	\$ -	\$ -	\$ -	\$ 0.09
Balance Sheet Data (at year end):					
Total assets	\$ 425,718	\$ 387,262	\$ 342,577	\$ 315,598	\$ 347,868
Long-term debt	\$ -	\$ -(1)	\$ 12,925 ⁽²⁾	\$ 57,306	\$ 83,925

(1) Excludes \$7.9 million of debt which is classified as current. Refer to Note 7 to the Company's consolidated financial statements contained in Item 8 of this Annual Report for further information.

(2) Excludes \$48.0 million of debt which is classified as current.

(3) *Includes the gain from insurance settlement and the goodwill impairment charge of \$8.1 million and \$6.9 million, pre-tax, respectively.*

(4) *Includes the gain on AST Settlement of \$9.3 million, pre-tax. Refer to Note 16 to the Company's consolidated financial statements contained in Item 8 of this Annual Report for further information.*

(5) *Includes \$4.8 million of net earnings related to a reduction of the valuation allowance associated with foreign tax credits.*

** Results have been retrospectively adjusted to incorporate the adoption of guidance within ASC 470-20 Debt with Conversion and Other Options. (Refer to Note 7 to the Company's consolidated financial statements contained in Item 8 of this Annual Report).*

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

Overview

The Company reported net income of \$39.2 million or \$0.69 per diluted share, as compared to net income of \$31.6 million, or \$0.59 per diluted share for 2008. Income from continuing operations before equity in income of equity investments increased almost \$10.0 million, from \$28.0 million in 2008 to \$37.9 million in 2009. The 2008 results were impacted by several significant items, including a \$9.3 million pre-tax gain from a litigation settlement as well as a charge of \$8.9 million for losses incurred in the extinguishment of debt. The 2008 full year results were also burdened by \$6.0 million of interest expense that was virtually eliminated in 2009 due to the extinguishment of all the Company's debt that occurred during the last half of 2008 and throughout 2009.

The 2009 results reflect increased sales of \$11.6 million or 2.9% mainly due to pricing increases instituted in late 2008 and increased sales of the Company's FLUEPA® products for mercury removal. In spite of the higher sales, cost of products sold in 2009 increased by only \$0.3 million. Such costs in 2009 were reduced by the reflection of the receipt, or estimated refunds, of tariff deposits. Selling, general, and administrative expense increased 6.4%. As a percent of sales, these costs were 16.5% and 16.0% in 2009 and 2008, respectively. Other costs, including depreciation and research and development, were impacted by costs incurred to serve the growing market for mercury removal. Finally, the Company's 2009 effective tax rate was almost 10 percentage points less than the 2008 rate. This significant tax rate decrease primarily resulted from the elimination during 2009 of the Company's overall foreign loss and related ability to use certain foreign tax credits which resulted in a decrease in the deferred tax asset valuation allowance of \$4.8 million.

During 2009, the Company made substantial investments in its property, plant and equipment while at the same time significantly improving its liquidity. Capital expenditures in 2009 totaled over \$48.0 million and related primarily to new plant investments at the Catlettsburg, Kentucky facility. Not only did the Company complete the investment in the formerly idled B-Line returning it to service in April 2009, but also, a pulverization facility was built allowing the Company to grind feedstock to more efficiently produce FLUEPAC® products for mercury removal. In total, these investments were \$23.7 million or approximately one half of 2009 capital expenditures. In May 2009, the Company entered into a new, five year \$95.0 million credit facility which increased borrowing capacity by approximately \$35.0 million. Operating cash flow of over \$79.0 million in 2009 was driven primarily by improved working capital and allowed the Company to not only fund the aforementioned capital improvements, but also to retire all of its outstanding debt during 2009.

Table of Contents**Results of Operations****2009 Versus 2008****Continuing Operations:**

Consolidated net sales increased \$11.6 million or 2.9% in 2009 as compared to 2008. The total negative impact of foreign currency translation on consolidated net sales was \$10.2 million.

Net sales for the Activated Carbon and Service segment increased \$15.9 million or 4.6%. Although overall volume was down by approximately 10% in 2009, the Company realized increased sales related to activated carbon products used to remove mercury from flue gas of coal-fired power plants in the U.S. of \$16.9 million primarily as a result of contracts awarded in 2008 and 2009. In addition, the Company continued to experience favorable pricing of approximately 19% in almost all of its markets as compared to 2008. Foreign currency translation had a negative impact of \$8.6 million. Sales in the Equipment segment decreased approximately \$3.4 million or 7.1%. The decrease was principally due to a decline in sales of traditional carbon adsorption and odor control equipment of \$3.2 million and \$3.0 million, respectively. Partially offsetting this decrease was higher revenue related to ultraviolet light (UV) systems used for the disinfection of drinking water of approximately \$3.0 million. Foreign currency translation had a negative impact of \$0.3 million. Sales for the Consumer segment decreased by \$0.9 million or 8.1% which was primarily due to the negative impact of foreign currency translation of \$1.3 million. Offsetting this decrease was the increase in demand for activated carbon cloth during the last half of 2009 of approximately \$0.4 million.

Net sales less cost of products sold, as a percent of net sales, was 35.3% in 2009 compared to 33.3% in 2008, an increase of 2.0 percentage points or \$11.9 million. The increase was primarily from the Activated Carbon and Service segment of \$12.3 million which was principally due to the aforementioned favorable pricing of certain activated carbon products and services. However, also contributing to the increase were lower freight costs of \$4.6 million related to volume decline as well as \$2.4 million related to the receipt of, or estimated refunds of, tariff deposits that were recorded in the fourth quarter when it was announced that the related tariff rates had been significantly reduced. Partially offsetting this increase were higher plant maintenance costs of approximately \$3.2 million at certain of the Company's production facilities primarily as a result of delaying maintenance turnarounds in 2008 in order to meet demand. Both the Equipment and Consumer segments were comparable to 2008. The Company's cost of products sold excludes depreciation; therefore it may not be comparable to that of other companies.

Depreciation and amortization increased by \$1.5 million or 8.7% in 2009 as compared to 2008 primarily due to increased depreciation related to the significant capital improvements at the Company's Catlettsburg, Kentucky plant including the improvements made to a previously idled production line in advance of its April 2009 re-start.

Selling, general and administrative expenses increased by \$4.1 million or 6.4% in 2009. The increase was principally due to employee related costs of \$2.5 million, acquisition due diligence costs of approximately \$1.0 million (refer to Note 20 of the Company's consolidated financial statements contained in Item 8 of this Annual Report), and increased legal expense of \$0.8 million. On a segment basis, selling, general and administrative expenses increased in 2009 by approximately \$4.3 million in the Activated Carbon and Service segment which was primarily related to the aforementioned employee related, acquisition, and legal costs. Selling, general and administrative expenses for the Equipment segment was comparable to 2008 and decreased slightly for the Consumer segment by \$0.3 million as compared to 2008.

Research and development expenses increased by \$1.4 million or 33.1%. The increase was primarily due to an increase in testing services related to mercury removal from flue gas.

The \$9.3 million gain on AST settlement for 2008 relates to the resolution of a lawsuit involving the Company's purchase of the common stock of Advanced Separation Technologies Inc. (AST) in 1996. Of the settlement amount, approximately \$5.3 million was recorded in the Activated Carbon and Service segment and \$4.0 million was recorded in the Equipment segment (Refer to Note 16 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

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The loss on extinguishment of debt of \$0.9 million in 2009 was due to the final conversion of the remaining \$6.0 million of Senior Convertible Notes (Notes). The loss on extinguishment of debt of \$8.9 million in 2008 was a result of the conversion of \$69.0 million of Notes. These losses were recorded pursuant to the required January 1, 2009 adoption of new accounting guidance within Accounting Standards Codification (ASC) 470-20. Such guidance was retrospectively applied (Refer to additional discussion in Note 7 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

Interest income decreased in 2009 versus 2008 by \$1.0 million or 69.5% primarily due to lower interest rates in 2009 versus 2008.

Interest expense decreased \$5.7 million or 95.3% primarily as a result of the conversion of a substantial portion of the Company's Notes that occurred in 2008.

Other expense net increased in 2009 versus 2008 by \$0.8 million or 37.5% primarily due to the write-off of \$0.8 million of financing fees related to the Company's prior credit facility which was replaced in 2009.

The provision for income taxes for 2009 was \$11.8 million as compared to \$14.0 million in 2008. The effective tax rate for the year ended December 31, 2009 was 23.7% compared to 33.4% for the year ended December 31, 2008. In 2009, the Company determined that an overall foreign loss position no longer exists and that sufficient foreign source income was generated to use \$3.9 million of foreign tax credit carryforwards thereby reversing a valuation allowance recorded as of December 31, 2008 related to these tax credits. The 2009 increased foreign source income also allowed the Company to use more tax credits earned in 2009 versus 2008 thereby reducing the amount of valuation allowance established. Also, in 2009, the Company determined a valuation allowance of \$3.1 million for certain foreign tax credits related to uncertain tax positions was no longer required. In total, the valuation allowance for foreign tax credits decreased \$0.4 million in 2008 and was reduced by \$4.5 million in 2009 which caused the 2009 effective tax rate to be 8.2% lower than 2008's effective tax rate.

The Company periodically reviews the need for a valuation allowance against deferred tax assets and recognizes these deferred tax assets to the extent that realization is more likely than not. Based upon a review of earnings history and trends, forecasted earnings and the relevant expiration of carryforwards, the Company believes that the valuation allowances provided are appropriate. At December 31, 2009, the valuation allowance of approximately \$3.5 million related primarily to foreign tax credits.

Equity in income of equity investments increased \$0.4 million in 2009 versus 2008. The increase was principally due to increased pricing on carbon products as well as a large volume municipal carbon fill that occurred in early 2009 both related to the Company's joint venture Calgon Mitsubishi Chemical Corporation in Japan.

Discontinued Operations:

Income from discontinued operations of \$2.8 million in 2008 was as a result of the final adjustment to the contingent consideration received from the sale of the Company's Charcoal/Liquid business that was sold in the first quarter of 2006 (Refer to Note 2 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

2008 Versus 2007**Continuing Operations:**

Consolidated net sales increased in 2008 compared to 2007 by \$49.1 million or 14.0%. Sales increased in the Activated Carbon and Service segment by \$46.7 million or 15.8%. The increase was primarily due to higher pricing in all markets as well as increased demand in the food, environmental air treatment, and potable water markets of \$13.7 million, \$9.7 million, and \$8.0 million, respectively. Volume growth, although a contributing factor, was limited by the Company's capacity constraints experienced throughout 2008. However, the Company was able to achieve higher pricing due to a tighter global supply/demand balance and as a result of the imposition of the anti-dumping tariff by the United States Department of Commerce, which enabled the return of fair market pricing to the marketplace (see further discussion regarding the tariff under the caption "Other"). The Company also increased prices in order to help offset increased costs

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for energy, transportation, and raw materials that had been rising globally during 2008. Also during 2008, the Company had sales of \$3.0 million from several new customers related to the use of granular activated carbon (GAC) for drinking water treatment as a result of 2006 U.S. regulations that were established to provide maximum levels for disinfection byproducts (DBPs) in chlorinated drinking water. Foreign currency translation had a positive impact of \$2.2 million. Sales in the Equipment segment increased approximately \$6.0 million or 14.4%. The increase was principally due to higher demand for ultraviolet light (UV) systems used for the disinfection of drinking water of \$2.6 million and carbon adsorption systems of approximately \$3.7 million. The increase in UV sales was primarily related to a major UV installation located in Montreal that was awarded in 2008. This contract as well as three others that were awarded in 2008 are valued at more than \$15 million. The demand for UV in the U.S. has been driven by regulatory action requiring many municipalities to test drinking water, and if necessary, treat for cryptosporidium by 2012 (specifically, the Long Term 2 Enhanced Surface Water Treatment Rule (LT2)). Partially offsetting this increase was a decrease in demand for ISEP® systems of \$0.7 million primarily in the U.S. as many companies already have such systems in place or are using similar equipment for food processing and pharmaceutical applications. Foreign currency translation had a positive impact of \$0.2 million. Sales for the Consumer segment decreased by \$3.5 million or 24.9% primarily due to shipment delays related to performance issues with new production equipment that limited the output of activated carbon cloth. These factors are not expected to continue. The slowing economy resulted in decreased demand for PreZerve® products of approximately \$0.8 million which is expected to continue in 2009. Foreign currency translation also had a negative impact of \$0.5 million year over year. The total sales increase for all segments attributable to the effect of foreign currency translation was \$1.9 million.

Net sales less cost of products sold, as a percent of net sales, was 33.3% in 2008 compared to 31.0% in 2007, an increase of 2.3 percentage points. The increase was primarily from the Activated Carbon and Service segment which was 33.8% in 2008 versus 31.0% in 2007, an increase of 2.8 percentage points. The increase was principally due to higher selling prices of certain activated carbon products and service. The Equipment segment was 30.6% in 2008 versus 27.7% in 2007, an increase of 2.9 percentage points. The increase was primarily due to the Company's movement to standardized product offerings and a more selective bids process. The Consumer segment reported 30.1% in 2008 versus 39.8% in 2007, a decline of 9.7 percentage points primarily due to competitive pricing pressure and manufacturing inefficiencies at its activated carbon cloth facility. The Company's cost of products sold excludes depreciation; therefore it may not be comparable to that of other companies.

Depreciation and amortization decreased by \$0.6 million or 3.3% in 2008 as compared to 2007 primarily due to an increase in fully depreciated fixed assets.

Selling, general and administrative expenses increased by \$2.8 million or 4.6% in 2008. The increase was principally due to higher legal expenses of \$1.3 million which were primarily related to the administrative review of the Department of Commerce's April 2007 anti-dumping order on certain activated carbon products from China as well as increased employee related expense of approximately \$1.5 million related to increased compensation-related costs for the Company's salaried workforce. On a segment basis, selling, general and administrative expenses increased in 2008 by approximately \$3.8 million in the Activated Carbon and Service segment which was primarily related to the aforementioned legal expenses and employee related expenses. Selling, general and administrative expenses for the Equipment segment decreased by approximately \$0.9 million primarily due to decreased litigation expense related to the completion of the AST litigation and such expenses were comparable for the Consumer segment year over year.

Research and development expenses increased by \$0.4 million or 11.6%. The increase was primarily due to an increase in both employee related expenses and laboratory testing services related to mercury removal from flue gas.

The \$9.3 million gain on AST settlement of 2008 relates to the resolution of a lawsuit involving the Company's purchase of the common stock of AST in 1996 (Refer to Note 16 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

The loss on extinguishment of debt of \$8.9 million in 2008 was a result of the conversion of \$69.0 million of Notes. These losses were recorded pursuant to the required January 1, 2009 adoption of new accounting guidance within ASC 470-20. Such guidance was retrospectively applied (See additional discussion in Note 7 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

Interest income was comparable in 2008 versus 2007.

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Interest expense decreased \$2.5 million or 29.5% as a result of the conversion of a substantial portion of the aforementioned Notes and the effect of capitalized interest due to increased capital spending in 2008.

Other expense net increased in 2008 versus 2007 by \$0.8 million or 55.9% primarily due to non-recurring costs associated with the conversion of a portion of the Notes as well as the negative impact of foreign exchange.

Income tax expense from continuing operations for 2008 was \$14.0 million as compared to \$6.6 million in 2007. The effective tax rate for 2008 was 33.4% compared to 36.4% in 2007. In 2008, the Company was able to use a portion of its 2008 foreign tax credits which eliminated the need for a corresponding valuation allowance; as compared to 2007, in which all foreign tax credits were subject to a valuation allowance of 65%. This caused the Company's effective tax rate to be 6.0% lower than the 2007 effective tax rate. The 2008 effective tax rate also decreased 3.6% versus 2007 due to increased income in foreign jurisdictions where the tax rate was lower than the U.S. rate. In 2007, the Company benefited from deferred tax related adjustments for changes in tax rates which caused the 2008 effective tax rate to be 2.8% higher than the 2007 effective tax rate. The 2008 effective tax rate also increased compared to 2007 by 1.9% due to a change in the mix of states in which the Company operated.

Equity in income of equity investments decreased in 2008 versus 2007 by \$1.1 million. The decrease was principally due to higher product costs realized in 2008 by the Company's Japanese joint venture Calgon Mitsubishi Chemical Corporation.

Discontinued Operations:

Income from discontinued operations was \$2.8 million as compared to a loss from discontinued operations of \$0.2 million in 2007. The 2008 results include the final adjustment to the contingent consideration received from the sale of the Company's Charcoal/Liquid business that was sold in the first quarter of 2006 (Refer to Note 2 of the Company's consolidated financial statements contained in Item 8 of this Annual Report).

Working Capital and Liquidity

Cash flows provided by operating activities were \$79.1 million for the year ended December 31, 2009 as compared to \$25.6 million for the year ended December 31, 2008. The \$53.5 million increase was primarily due to favorable working capital changes of \$46.3 million (exclusive of debt), principally related to accounts receivable of \$12.1 million as a result of improved cash collections; inventory of \$25.6 million related to the idling of the Datong facility, inventory control measures in Europe and the U.S. including the reduction of purchases of outsourced carbon related products; and other current assets of \$8.1 million. Also contributing to the increase was improved operating results of \$7.5 million.

The Company did not have outstanding debt at December 31, 2009 as compared to \$9.5 million outstanding at December 31, 2008. During 2009, the Company repaid its Mississippi Industrial Revenue bonds and China credit facility of \$2.9 million and \$1.6 million, respectively. The non-cash exchange of the remaining \$6.0 million of Notes, primarily for the Company's common stock, also occurred during the year ended December 31, 2009.

5.00% Convertible Senior Notes due 2036

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

During the period of August 20, 2008 through November 10, 2008, the Company converted and exchanged \$69.0 million of the Notes for cash of \$11.0 million and approximately 13.0 million shares of its common stock. A pre-tax loss of \$8.9 million was recorded on these extinguishments during the year ended December 31, 2008. During the third quarter of 2009, the Company exchanged, for approximately 1.2 million shares of its common stock, the remaining \$6.0 million of Notes. A pre-tax loss of \$0.9 million was recorded on this extinguishment related primarily to the outstanding discount and deferred financing fees of the Notes upon conversion.

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Due to the conversion rights of the holders of the Notes, the Company classified the remaining principal amount of outstanding Notes as a current liability as of December 31, 2008. As of December 31, 2009, all Notes have been converted.

Effective January 1, 2009, the Company implemented guidance within ASC 470-20 Debt with Conversion and Other Options. This new guidance required the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer's nonconvertible debt borrowing rate. This new accounting method has been applied retrospectively to all periods presented with an impact to retained earnings of \$0.6 million as of January 1, 2007. The Company's \$75.0 million principal amount of Notes had an initial measurement that consisted of a liability component of \$53.1 million and an equity component of \$18.6 million (\$11.5 million after the associated deferred tax liability). The carrying amount of the equity component was zero and \$0.6 million (after tax) at December 31, 2009 and December 31, 2008, respectively.

In accordance with guidance within ASC 470-20, the debt discount of \$21.9 million was being amortized over the period from August 18, 2006 (the issuance date) to June 15, 2011 (the first put date on the Notes). The effective interest rate for all periods on the liability component was approximately 13.8%. The Company also incurred original issuance costs of \$0.4 million which had been deferred and were being amortized over the same period as the discount. For the year ended December 31, 2009, the Company recorded interest expense of \$0.2 million related to the Notes, of which \$0.1 million related to the amortization of the discount and \$0.1 million related to contractual coupon interest, respectively. Similarly, for the years ended December 31, 2008 and 2007, the Company recorded interest expense of \$5.7 million and \$7.4 million, respectively, related to the Notes, of which \$3.0 million and \$3.7 million related to the amortization of the discount and \$2.7 million and \$3.7 million related to contractual coupon interest. The effect of the retrospective adjustment for the years ended December 31, 2008 and 2007 was to decrease previously reported net income from continuing operations by \$6.7 million and \$1.9 million, respectively, or \$0.13 and \$0.04, respectively, per diluted common share.

Credit Facility

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

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

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

Credit Facility being reduced at that time by the amount of the Term Loan. Total availability under the Revolving Credit Facility at December 31, 2009 was \$91.9 million, after considering outstanding letters of credit.

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

The interest rate on amounts owed under the Term Loan and the Revolving Credit Facility will be, at the Company's option, either (i) a fluctuating base rate based on the highest of (A) the prime rate announced from time to time by the lenders, (B) the rate announced by the Federal Reserve Bank of New York on that day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day plus 3.00% or (C) a daily LIBOR rate plus 2.50%, or (ii) a rate based on the average published LIBOR rates for comparable borrowings and reserve requirements prescribed by the Board of Governors of the Federal Reserve System of the United States. A margin may be added to the applicable interest rate based on the Company's leverage ratio as set forth in the First Amendment. The interest rate per annum as of December 31, 2009 using option (i) above would have been 3.25% if any borrowings were outstanding.

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

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

The Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to indebtedness, liens, investments, capital expenditures, mergers and acquisitions, dispositions of assets and transactions with affiliates. The Credit Agreement also provides for customary events of default, including failure to pay principal or interest when due, failure to comply with covenants, the fact that any representation or warranty made by the Company is false or misleading in any material respect, certain insolvency or receivership events affecting the Company and its subsidiaries and a change in control of the Company. If an event of default occurs, the lenders will be under no further obligation to make loans or issue letters of credit. Upon the occurrence of certain events of default, all outstanding obligations of the Company automatically become immediately due and payable, and other events of default will allow the lenders to declare all or any portion of the outstanding obligations of the Company to be immediately due and payable. The Credit Agreement also contains a covenant which includes limitations on its ability to declare or pay cash dividends, subject to certain exceptions, such as dividends declared and paid by its subsidiaries and cash dividends paid by the Company in an amount not to exceed 50% of cumulative net after tax earnings following the closing date of the agreement if certain conditions are met. The Company was in compliance with all such covenants as of December 31, 2009.

Contractual Obligations

The Company is obligated to make future payments under various contracts such as lease agreements and unconditional purchase obligations. The Company is also required to make minimum funding contributions to its pension plans which are estimated at \$3.4 million for the year ended December 31, 2010. The following table represents the significant contractual cash obligations and other commercial commitments of the Company as of December 31, 2009.

			Due In				
(Thousands)	2010	2011	2012	2013	2014	Thereafter	Total

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Operating leases	\$ 6,272	\$ 5,686	\$ 5,092	\$ 4,773	\$ 4,418	\$ 4,696	\$ 30,937
Unconditional purchase obligations*	38,778	26,026	3,174	1,575	263	-	69,816
Total contractual cash obligations	\$ 45,050	\$ 31,712	\$ 8,266	\$ 6,348	\$ 4,681	\$ 4,696	\$ 100,753

**Primarily for the purchase of raw materials, transportation, and information systems services.*

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The long-term tax payable of \$12.5 million, pertaining to the tax liability related to the accounting for uncertainty in income taxes, has been excluded from the above table due to the fact that the Company is unable to determine the period in which the liability will be resolved.

The Company does not have any special-purpose entities or off-balance sheet financing arrangements except for the operating leases disclosed above as well as the indemnities and guaranties disclosed in Note 16 of the Company's consolidated financial statements contained in Item 8 of this Annual Report.

The Company maintains qualified defined benefit pension plans (the "Qualified Plans"), which cover substantially all non-union and certain union employees in the United States and Europe. The Company's pension expense for all pension plans approximated \$5.1 million and \$2.0 million for the years ended December 31, 2009 and 2008, respectively. The Company expects its 2010 pension expense to be \$3.8 million.

The fair value of the Company's Qualified Plan assets has increased from \$64.5 million at December 31, 2008 to \$87.5 million at December 31, 2009. The Pension Protection Act, passed into law in August 2006, prescribes a new methodology for determining the minimum amount that must be contributed to defined benefit pension plans which began in 2008. During the year ended December 31, 2009, the Company funded its Qualified Plans with \$12.3 million in contributions of which \$10.4 million was made voluntarily by the Company. The Company expects that it will be required to fund the Qualified Plans with approximately \$3.4 million in contributions for the year ending December 31, 2010. The Company may make additional contributions to its Qualified Plans in 2010 beyond the required funding. Additional voluntary contributions would be dependent upon, among other things, the Company's ongoing operating results and liquidity.

The Company did not declare or pay any dividends in 2009. Dividend declaration and payout are at the discretion of the Board of Directors. Future dividends will depend on the Company's earnings, cash flows, and capital investment plans to pursue long-term growth opportunities. The Company's Credit Agreement contains a covenant which includes limitations on its ability to declare or pay cash dividends, subject to certain exceptions, such as dividends declared and paid by its subsidiaries and cash dividends paid by the Company in an amount not to exceed 50% of cumulative net after tax earnings following the closing date of the agreement if certain conditions are met.

Capital Expenditures and Investments

Capital expenditures were \$48.3 million in 2009, \$33.0 million in 2008, and \$11.8 million in 2007. Expenditures for 2009 primarily included \$40.0 million for improvements to manufacturing facilities including approximately \$8.4 million of improvements related to the 2009 re-start of a previously idled production line, \$15.2 million related to a new pulverization facility, and \$3.5 million for customer capital. Expenditures for 2008 primarily included \$29.3 million for improvements to manufacturing facilities including approximately \$13.0 million related to the planned 2009 re-start of a previously idled production line, \$3.0 million for customer capital, and \$1.8 million related to improvements to information systems. Expenditures for 2007 primarily included \$8.4 million for improvements to manufacturing facilities and \$3.3 million for customer capital. Capital expenditures for 2010 are projected to be approximately \$65.0 million to \$75.0 million. The aforementioned expenditures are expected to be funded by operating cash flows, cash on hand, and borrowings.

No proceeds for sales of property, plant and equipment were received in 2009 compared to \$0.9 million in 2008.

The Company expects that cash from operating activities plus cash balances and available external financing will be sufficient to meet its cash requirements for the next twelve months. The cash needs of each of the Company's reporting segments are principally covered by the segment's operating cash flow on a stand alone basis. Any additional needs will be funded by cash on hand or borrowings under the Company's Revolving Credit Facility. Specifically, the Equipment and Consumer segments historically have not required extensive capital expenditures; therefore, the Company believes that operating cash flows, cash on hand, and borrowings will adequately support each of the segments cash needs.

Other

On March 8, 2006, the Company and another U.S. producer (the "Petitioners") of activated carbon formally requested that the United States Department of Commerce investigate unfair pricing of certain activated carbon imported from the People's Republic of China. The Commerce Department investigated imports of activated carbon from China that is

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thermally activated using a combination of heat, steam and/or carbon dioxide. Certain types of activated carbon from China, most notably chemically-activated carbon, were not investigated.

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

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

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

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

The Company's role as an importer that is required to pay tariffs results in a contingent liability related to the final amount of tariffs that it will ultimately have to pay. The Company has made deposits of estimated tariffs in two ways. First, estimated tariffs on entries in the period from October 11, 2006 through April 9, 2007 were covered by a bond. The total amount of tariffs that can be paid on entries in this period is capped as a matter of law, though the Company may receive a refund with interest of any difference due to a reduction in the actual margin of dumping found in the first review. The Company's estimated liability for tariffs during this period of \$0.2 million is reflected in accounts payable and accrued liabilities on the consolidated balance sheet at December 31, 2009. Second, the Company has been required to post cash deposits of estimated tariffs owed on entries of subject merchandise since April 19, 2007. The final amount of tariffs owed on these entries may change, and can either increase or decrease depending on the final results of relevant administrative inquiries. This process is further described below.

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

On November 10, 2009, the Commerce Department announced the results of its review of the tariff period beginning October 2006 through March 31, 2008 (period of review (POR) I). Based on the POR I results, the Company's ongoing tariff deposit rate was adjusted from 69.54% to 14.51% (as adjusted by .07% for certain ministerial errors and published in the Federal Register on December 17, 2009) for entries made subsequent to the announcement. In addition, the Company's assessment rate for POR I was determined to have been too high and,

accordingly, the Company reduced its recorded liability for unpaid deposits in POR I and recorded a receivable reflecting expected refunds for tariff deposits

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made during POR I as a result of the announced decrease in the POR I tariff assessment rate. The impact of these adjustments to the Company's cost of sales increased fourth quarter pre-tax operating income by approximately \$1.6 million. Note that the Petitioners have appealed to the U.S. Court of International Trade the Commerce Department's POR I results challenging, among other things, the selection of certain surrogate values and financial information which in-part caused the reduction in the tariff rate. Other appeals were also filed by Chinese respondents seeking changes to the calculations that either do not relate to the Company's tariff rate or would, if applied to the Company, lower its tariff rate. There is no deadline for a final decision regarding these appeals but such appeals typically take at least a year to resolve. The Company will not have final settlement of the amounts it may owe or receive as a result of the final POR I tariff rates until the aforementioned appeals are resolved.

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

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

The contingent liability relating to tariffs paid on imports is somewhat mitigated by two factors. First and foremost, the antidumping tariff order's disciplinary effect on the market encourages the elimination of dumping through fair pricing. Separately, pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (repealed effective Feb. 8, 2006), as an affected domestic producer, the Company is eligible to apply for a distribution of a share of certain tariffs collected on entries of subject merchandise from China from October 11, 2006 to September 30, 2007. In July 2009 and 2008, the Company applied for such distributions. In November 2009 and December 2008, the Company received distributions of approximately \$0.8 million and \$0.2 million, respectively, which reflected 59.57% of the total amounts then available. The Company anticipates receiving additional amounts in 2010 and future years related to tariffs paid for the period October 11, 2006 through September 30, 2007, though the exact amount is impossible to determine.

Critical Accounting Policies

Management of the Company has evaluated the accounting policies used in the preparation of the financial statements and related footnotes and believes the policies to be reasonable and appropriate. The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make judgments, estimates, and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management uses historical experience and all available information to make these judgments and estimates, and actual results will inevitably differ from those estimates and assumptions that are used to prepare the Company's financial statements at any given time. Despite these inherent limitations, management believes that Management's Discussion and Analysis (MD&A) and the financial statements and related footnotes provide a meaningful and fair perspective of the Company.

The following are the Company's critical accounting policies impacted by management's judgments, assumptions, and estimates. Management believes that the application of these policies on a consistent basis enables the Company to provide the users of the financial statements with useful and reliable information about the Company's operating results and financial condition.

Revenue Recognition

The Company recognizes revenue and related costs when goods are shipped or services are rendered to customers provided that ownership and risk of loss have passed to the customer. Revenue for major equipment projects is

recognized under the percentage of completion method. The Company's major equipment projects generally have a long project life cycle from bid solicitation to project completion. The nature of the contracts are generally fixed price with

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milestone billings. The Company recognizes revenue for these projects based on the fixed sales prices multiplied by the percentage of completion. In applying the percentage-of-completion method, a project's percent complete as of any balance sheet date is computed as the ratio of total costs incurred to date divided by the total estimated costs at completion. As changes in the estimates of total costs at completion and/or estimated total losses on projects are identified, appropriate earnings adjustments are recorded during the period that the change or loss is identified. The Company has a history of making reasonably dependable estimates of costs at completion on our contracts that follow the percentage-of-completion method; however, due to uncertainties inherent in the estimation process, it is possible that estimated project costs at completion could vary from our estimates. The principal components of costs include material, direct labor, subcontracts, and allocated indirect costs. Indirect costs primarily consist of administrative labor and associated operating expenses, which are allocated to the respective projects on actual hours charged to the project utilizing a standard hourly rate.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The amount of allowance recorded is primarily based upon a quarterly review of specific customer receivables that remain outstanding at least three months beyond their respective due dates. The Company's provision for doubtful accounts and loss experience have not varied materially from period to period. However, if the financial condition of the Company's customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

The Company's inventories are carried at the lower of cost or market. The Company provides for inventory obsolescence based upon a review of specific products that have remained unsold for a prescribed period of time. If the market demand for various products softens, additional allowances may be required.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Identifiable intangible assets acquired in business combinations are recorded based on their fair values at the date of acquisition. In accordance with guidance within Accounting Standards Codification (ASC) 350 Intangibles Goodwill and Other, goodwill and identifiable intangible assets with indefinite lives are not subject to amortization but must be evaluated for impairment. None of the Company's identifiable intangible assets other than goodwill have indefinite lives.

The Company tests goodwill for impairment at least annually by initially comparing the fair value of each of the Company's reporting units to their related carrying values. If the fair value of the reporting unit is less than its carrying value, the Company performs an additional step to determine the implied fair value of the goodwill. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of the assets and liabilities of the unit and then computing the excess of the unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment, and the Company recognizes such impairment accordingly. Fair values are estimated using discounted cash flow and guideline company method that are based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. The Company also considers such factors as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements.

The Company's identifiable intangible assets other than goodwill have finite lives. Certain of these intangible assets, such as customer relationships, are amortized using an accelerated methodology while others, such as patents, are amortized on a straight-line basis over their estimated useful lives. In addition, intangible assets with finite lives are evaluated for impairment whenever events or circumstances indicated that their carrying amount may not be recoverable, as prescribed by ASC 360, Property, Plant, and Equipment.

Pensions

The Company maintains Qualified Plans which cover substantially all non-union and certain union employees in the United States and Europe. Pension expense, which totaled \$5.2 million in 2009 and \$2.0 million in 2008, is calculated based upon a number of actuarial assumptions, including expected long-term rates of return on our Qualified Plans

assets, which range from 5.00% to 8.00%. In developing the expected long-term rate of return assumption, the Company evaluated input from its actuaries, including their review of asset class return expectations as well as long-term inflation

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assumptions. The Company also considered historical returns on asset classes, investment mix, and investment manager performance. The expected long-term return on the U.S. Qualified Plans assets is based on an asset allocation assumption of 68.0% with equity managers, 30.0% with fixed-income managers, and 2.0% with other investments. The European Qualified Plans assets are based on an asset allocation assumption of 36.2% with equity managers, 56.3% with fixed-income managers, and 7.5% with other investments. The Company regularly reviews its asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate. The Company continues to believe that the range of 6.30% to 8.00% is a reasonable long-term rate of return on its Qualified Plans assets. The Company will continue to evaluate its actuarial assumptions, including its expected rate of return, at least annually, and will adjust as necessary.

The discount rate that the Company utilizes for its Qualified Plans to determine pension obligations is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has decreased from a range of 5.63% to 6.23% at December 31, 2008 to a range of 5.51% to 6.08% at December 31, 2009. The Company estimates that its pension expense for the Qualified Plans will approximate \$3.8 million in 2010. Future actual pension expense will depend on future investment performance, funding levels, changes in discount rates and various other factors related to the populations participating in its Qualified Plans.

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A sensitivity analysis of the projected incremental effect of a hypothetical 1 percent change in the significant assumptions used in the pension calculations is provided in the following table:

<i>(Thousands)</i>	Hypothetical Rate Increase (Decrease)			
	U.S. Plans (1%)	1%	European Plans (1%)	1%
Discount rate				
Pension liabilities at December 31, 2009	\$ 12,089	\$ (10,588)	\$ 6,595	\$ (5,250)
Pension costs for the year ended December 31, 2009	\$ 874	\$ (857)	\$ 257	\$ (225)
Indexation				
Pension liabilities at December 31, 2009	\$ -	\$ -	\$ (746)	\$ 821
Pension costs for the year ended December 31, 2009	\$ -	\$ -	\$ (39)	\$ 42
Expected return on plan assets				
Pension costs for the year ended December 31, 2009	\$ 478	\$ (477)	\$ 63	\$ (62)
Compensation				
Pension liabilities at December 31, 2009	\$ (878)	\$ 896	\$ (1,225)	\$ 1,370
Pension costs for the year ended December 31, 2009	\$ (170)	\$ 178	\$ (214)	\$ 243

Income Taxes

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgment is required in determining the Company's annual effective tax rate and in evaluating tax positions. On January 1, 2007, the Company adopted guidance within ASC 740 regarding the accounting for uncertainty in income taxes. This guidance contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, the refinement of an estimate, or a lapse of a tax statute. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

The Company is subject to varying statutory tax rates in the countries where it conducts business. Fluctuations in the mix of the Company's income between countries result in changes to the Company's overall effective tax rate.

The Company recognizes benefits associated with foreign and domestic net operating loss and credit carryforwards when the Company believes that it is more likely than not that its future taxable income in the relevant tax jurisdictions will be sufficient to enable the realization of the tax benefits. As of December 31, 2009, the Company had recorded total deferred tax assets of \$40.3 million, of which \$13.2 million (before consideration of a \$3.5 million valuation allowance) represents tax benefits resulting from unused foreign tax credits as well as state NOLs and state tax credits. The foreign tax credits of \$6.8 million, net, can be carried forward 10 years and expire from 2011 through 2019. The Company recorded a valuation allowance against its foreign tax credits which represents the portion that does not meet the more likely than not threshold of being utilized. State operating loss carryforwards of \$1.8 million, net, expire from 2012 to 2027 of which over 90% will not expire before 2019.

The Company periodically reviews the need for a valuation allowance against deferred tax assets and recognizes these deferred tax assets to the extent that realization is more likely than not. Based upon a review of earnings history and trends, forecasted earnings and the relevant expiration of carryforwards, the Company believes that the valuation allowances provided are appropriate. At December 31, 2009, the valuation allowance of approximately \$3.5 million related primarily to foreign tax credits.

Approximately 75% of the Company's deferred tax assets, or \$30.6 million, represent temporary differences associated with pensions, accruals, and inventories. Approximately 89% of the Company's deferred tax liabilities of \$21.9 million at December 31, 2009 relate to property, plant and equipment. These temporary differences will reverse in the

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future due to the natural realization of temporary differences between annual book and tax reporting. The Company believes that the deferred tax liabilities generally will impact taxable income of the same character (ordinary income), timing, and jurisdiction as the deferred tax assets.

Litigation

The Company is involved in various asserted and unasserted legal claims. An estimate is made to accrue for a loss contingency relating to any of these legal claims if it is probable that a liability was incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Because of the subjective nature inherent in assessing the outcome of legal claims and because the potential that an adverse outcome in a legal claim could have a material impact on the Company's legal position or results of operations, such estimates are considered to be critical accounting estimates. The Company will continue to evaluate all legal matters as additional information becomes available. Reference is made to Note 16 of the Company's consolidated financial statements contained in Item 8 of this Annual Report for a discussion of litigation and contingencies.

Long-Lived Assets

The Company evaluates long-lived assets under the provisions of ASC 360, which addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of. For assets to be held and used, the Company groups a long-lived asset or assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. An impairment loss for an asset group reduces only the carrying amounts of a long-lived asset or assets of the group being evaluated. The loss is allocated to the long-lived assets of the group on a pro-rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group does not reduce the carrying amount of that asset below its fair value whenever that fair value is determinable without undue cost and effort. Estimates of future cash flows used to test the recoverability of a long-lived asset group include only the future cash flows that are associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset group. The future cash flow estimates used by the Company exclude interest charges.

New Accounting Pronouncement

In June 2009, the Financial Accounting Standards Board (FASB) amended ASC 810-10 for Accounting Standards Update No. 2009-17 (Update No. 2009-17) (formerly Financial Accounting Standard (FAS) No. 167, Amendments to FASB Interpretation No. 46(R)) Update No. 2009-17 is a revision to FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, and amends the consolidation guidance for variable interest entities. Additionally, this standard will require additional disclosures about involvement with variable interest entities and any significant changes in risk exposure due to that involvement. ASC 810-10-65, as updated, is effective January 1, 2010 for companies reporting on a calendar-year basis. Beginning January 1, 2010, the Company will apply the provisions of Update No. 2009-17 to its accounting and disclosure for applicable variable interest entities. The Company is in the process of assessing the impact of this standard.

Outlook**Activated Carbon and Service**

The Company's activated carbon and service sales volume for 2010 will remain challenging for the Company as not all markets have rebounded from the effects of the worldwide economic slowdown. During 2009, many manufacturers within the Company's industrial customer base were scaling back or shutting down operations. The Company expects this to continue in 2010, resulting in lower demand for its products in the industrial and food markets. However, helping to offset this volume decline will be the continued higher sales volume for carbon products used to remove mercury from flue gas of coal-fired power plants in the U.S. as a result of contracts that were already awarded to the Company as well as legislation that went into effect in certain U.S. states as of January 1, 2010. The Company also anticipates an increase in demand for drinking water in the municipal market during 2010. While the tariff on imported Chinese thermally activated carbon was lowered significantly in November 2009 (refer to Note 16 of the Company's consolidated financial statements contained in Item 8 of this Annual Report), current trends do not indicate signs of pricing pressure. However, the Company cannot predict with any certainty that this will remain the case throughout all of 2010.

During 2009, in addition to the April restart of the previously idled B-line at the Catlettsburg, Kentucky facility, the Company also further invested at this site in a new pulverization facility which is expected to be capable of converting 90

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million pounds of feedstock to powdered activated carbon (PAC). The pulverization facility commenced operation during the fourth quarter of 2009 and reduces the Company's reliance on third-party grinding. PAC is recognized today by the U.S. Environmental Protection Agency as the leading abatement technology for mercury removal from coal-fired power plant flue gas. The Company believes that this could become the largest U.S. market for activated carbon and has made great strides in establishing itself as a market leader. Mercury emission standards that begin to take effect in more than a dozen states, primarily in 2010, are driving the current PAC market, but U.S. regulatory or congressional action will determine the national standards in the long-term. Currently, the EPA plans to issue proposed mercury emission standards by March 2010 that would then be finalized by November 2011. The Company currently estimates that annual demand could be as high as 750 million pounds within the next ten years. In addition, more than 140 countries have indicated interest in a multi-nation mercury removal pact that could be agreed upon on as early as 2013. The need for municipal drinking water utilities to comply with the EPA's Stage 2 Disinfection By-Product Rule (DBPR) is yet another growth driver for the Company. DBP's are compounds that form when water is disinfected with chemicals, and GAC is recognized by the EPA as a best available control technology (BACT) for the reduction of DBP's. The EPA promulgated the Stage 2 DBP Rule in 2006, and requires water utilities to come into compliance with the rule in a phased manner between 2012 and 2014. The Company currently estimates that this regulation may increase demand for GAC by municipal water utilities in the United States by as much as 60 million pounds per year by 2015.

In anticipation of the eventual improvement in the worldwide economy and to meet the increased demand for mercury removal and the DBPR, the Company currently plans to make significant capital expenditures in 2010 totaling \$65 million to \$75 million. The Company plans on investing in a capacity expansion of the Feluy, Belgium site as well as new reactivation facilities in China and in the northeast United States. In total, these sites are believed to eventually increase the Company's service business capacity by 59 million pounds annually. Only the U.S. location is expected to commence operation in 2010. In addition to these initiatives, the Company plans on increasing its presence throughout the world. In March 2010, the Company anticipates closing on its purchase of a controlling interest in its current joint venture in Japan with full ownership expected in early 2011 (refer to Note 20 of the Company's consolidated financial statements contained in Item 8 of this Annual Report). This acquisition will increase the Company's capabilities in the world's second largest geographical market by country for activated carbon and will also contribute favorably to the 2010 mid-year planned restart of its currently idled virgin carbon plant in Datong, China. In Europe, the Company acquired Zwicky Denmark and Sweden, long-term distributors of the Company's activated carbon products and provider of services associated with the reactivation of activated carbon, in January 2010