CALGON CARBON CORPORATION
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

x Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2007 or

o Transition report pursuant to section 13 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.)

P.O. Box 717, Pittsburgh, PA 15230-0717
(Address of principal executive offices)
(Zip Code)

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

____

(Former name, former address and former fiscal year if changed since last report)

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 x No o

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes o No x

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 2, 2007
Common Stock, $.01 par value	40,403,439 shares

CALGON CARBON CORPORATION
FORM 10-Q
QUARTER ENDED June 30, 2007

The Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Statements looking forward in time are included in this Form 10-Q pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company's actual results in the future to differ from performance suggested herein. In the context of forward-looking information provided in this Form 10-Q and in other reports, please refer to the discussion of risk factors detailed in, as well as the other information contained in the Company's filings with the Securities and Exchange Commission.

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PART I - CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements included herein have been prepared by Calgon Carbon Corporation (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Management of the Company believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the Company's audited consolidated financial statements and the notes included therein for the year ended December 31, 2006 filed with the Securities and Exchange Commission by the Company in Form 10-K.

In management’s opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, and are necessary for a fair presentation, in all material respects, of financial results for the interim periods presented. Operating results for the first six months of 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

CALGON CARBON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands Except Share and Per Share Data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	$ 86,621	$ 77,870	$ 167,667	$ 151,270
Net sales to related parties	1,807	2,640	3,791	5,819
Total	88,428	80,510	171,458	157,089
Cost of products sold (excluding depreciation and amortization)	59,556	59,962	117,980	117,373
Depreciation and amortization	4,331	4,794	8,592	9,592
Selling, general and administrative expenses	15,009	16,570	29,615	30,942
Research and development expenses	907	1,041	1,735	2,238
Gain on insurance settlement	-	(4,899)	-	(4,899)
Restructuring charge	-	1	-	7
	79,803	77,469	157,922	155,253
Income from operations	8,625	3,041	13,536	1,836
Interest income	400	234	702	320
Interest expense	(1,410)	(1,524)	(2,860)	(3,098)
Other expense—net	(408)	(514)	(811)	(1,358)
Income (loss) from continuing operations before income taxes, and equity income	7,207	1,237	10,567	(2,300)
Provision (benefit) for income taxes	3,147	(925)	5,527	(1,270)
Income (loss) from continuing operations before equity income	4,060	2,162	5,040	(1,030)
Equity in income (loss) from equity investments	402	(23)	1,456	180
Income (loss) from continuing operations	4,462	2,139	6,496	(850)
Income from discontinued operations	-	297	-	1,872
Net income	$ 4,462	$ 2,436	$ 6,496	$ 1,022

Net income per common share								
Basic:								
Income (loss) from continuing operations	$	.11	$	.05	$	.16	$	(.02)
Income from discontinued operations		-		.01		-		.05
Net income	$	.11	$	.06	$	.16	$	.03
Diluted:								
Income (loss) from continuing operations	$	.09	$	.05	$	.14	$	(.02)
Income from discontinued operations		-		.01		-		.05
Net income	$	.09	$	.06	$	.14	$	.03
Weighted average shares outstanding								
Basic		40,291,372		39,875,505		40,258,163		39,865,173
Diluted		47,745,066		40,076,904		45,807,253		39,865,173

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands except share data)
(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,628	$ 5,631
Receivables (net of allowance of $2,699 and $1,981)	59,875	53,239
Receivables from related parties (Note 13)	1,667	1,797
Revenue recognized in excess of billings on uncompleted contracts	7,045	7,576
Inventories	71,466	70,339
Deferred income taxes - current	6,973	5,761
Other current assets	3,834	4,369
Total current assets	167,488	148,712
Property, plant and equipment, net	102,690	106,101
Equity investments	8,937	6,971
Intangibles	8,652	8,521
Goodwill	27,768	27,497
Deferred income taxes - long-term	8,314	20,225
Other assets	3,172	4,337
Total assets	$ 327,021	$ 322,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 63,649	$ -
Accounts payable and accrued liabilities	33,822	36,446
Accounts payable to related parties (Note 13)	-	168
Billings in excess of revenue recognized on uncompleted contracts	3,646	2,516
Accrued interest	1,639	1,440
Payroll and benefits payable	7,424	6,533
Accrued income taxes	2,378	8,423
Total current liabilities	112,558	55,526
Long-term debt	12,925	74,836
Deferred income taxes - long-term	1,927	1,679
Accrued pension and other liabilities	44,302	42,450
Total liabilities	171,712	174,491
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common shares, $.01 par value, 100,000,000 shares authorized, 42,671,227 and 42,550,290 shares issued	427	425
Additional paid-in capital	72,699	70,345

Retained earnings		96,594		94,035
Accumulated other comprehensive income		12,983		10,305
		182,703		175,110
Treasury stock, at cost, 2,843,853 and 2,819,690 shares		(27,394)		(27,237)
Total shareholders' equity		155,309		147,873
Total liabilities and shareholders’ equity	$	327,021	$	322,364

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CALGON CARBON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities		
Net income	$ 6,496	$ 1,022
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on insurance settlement	-	(4,899)
Gain from divestitures	-	(6,719)
Depreciation and amortization	8,592	9,594
Equity income from equity investments	(1,456)	(180)
Employee benefit plan provisions	745	2,220
Distributions received from equity investments	403	-
Non-cash pension curtailment gain	(265)	-
Changes in assets and liabilities:		
Increase in receivables	(6,010)	(1,993)
Increase in inventories	(651)	(1,232)
Decrease (increase) in revenue in excess of billings on uncompleted contracts and other current assets	1,131	(1,780)
Decrease (increase) in accounts payable, accrued liabilities, and billings in excess of revenue	366	(4,368)
Decrease in accrued pension	(1,890)	(1,609)
Increase deferred income taxes	4,429	1,496
Other items - net	584	1,725
Net cash provided by (used in) operating activities	12,474	(5,114)
Cash flows from investing activities		
Proceeds from divestitures	-	21,213
Property, plant and equipment expenditures	(4,451)	(7,302)
Proceeds from insurance settlement for plant and equipment	-	4,595
Proceeds from disposals of property, plant and equipment	162	416
Net cash (used in) provided by investing activities	(4,289)	18,922
Cash flows from financing activities		
Proceeds from borrowings	5,933	61,039
Repayments of borrowings	(4,195)	(74,927)
Treasury stock purchases	(157)	(108)
Common stock issued through exercise of stock options	708	466
Net cash provided by (used in) financing activities	2,289	(13,530)
Effect of exchange rate changes on cash	523	(1,240)
Increase (decrease) in cash and cash equivalents	10,997	(962)
Cash and cash equivalents, beginning of period	5,631	5,446

Cash and cash equivalents, end of period	$	16,628	$	4,484

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CALGON CARBON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands)
(Unaudited)

1. Inventories:

	June 30, 2007	December 31, 2006
Raw materials	$ 18,922	$ 16,587
Finished goods	52,544	53,752
	$ 71,466	$ 70,339

2. Supplemental Cash Flow Information:

Cash paid for interest during the six months ended June 30, 2007 and 2006 was $2.7 million and $3.1 million, respectively. Income taxes paid, net of refunds, was $0.7 million and $0.5 million, for the six months ended June 30, 2007 and 2006, respectively.

The non-cash vesting of restricted stock-based compensation was $0.5 million and $0.4 million for the six months ended June 30, 2007 and 2006, respectively. The non-cash impact of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109,” (“FIN 48”) was $6.5 million for the six months ended June 30, 2007.

3. Dividends:

The Company’s Board of Directors did not declare or pay a dividend for the three or six month periods ended June 30, 2007 and 2006.

4. Comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income	$ 4,462	$ 2,436	$ 6,496	$ 1,022
Other comprehensive income, net of taxes	916	2,885	2,678	3,743
Comprehensive income	$ 5,378	$ 5,321	$ 9,174	$ 4,765

The only matters contributing to the other comprehensive income during the three and six months ended June 30, 2007 was the foreign currency translation adjustment of $0.9 million and $2.1 million, respectively, and the change in the fair value of the derivative instruments of $(14) thousand and $0.5 million as described in Note 6. The only matters contributing to the other comprehensive income during the three and six months ended June 30, 2006 were the foreign currency translation adjustment of $2.8 million and $3.6 million, respectively, and the change in the fair value of the derivative instruments of $(15) thousand and $(0.1) million, respectively.

5. Segment Information:

The Company's management has identified three segments based on product line and associated services. Those segments included Activated Carbon and Service, Equipment, and Consumer. The Company's chief operating decision maker, its chief executive officer, receives and reviews financial information in this format. The Activated Carbon and Service segment manufactures granular activated carbon for use in applications to remove organic compounds from liquids, gases, water, and air. This segment also consists of services related to activated carbon including reactivation of spent carbon and the leasing, monitoring, and maintenance of carbon fills at customer sites. The service portion of this segment also includes services related to the Company's ion exchange technologies for treatment of groundwater and process streams. The Equipment segment provides solutions to customers' air and water process problems through the design, fabrication, and operation of systems that utilize the Company's enabling technologies: carbon adsorption, ultraviolet light, and advanced ion exchange separation. The Consumer segment brings the Company's purification technologies directly to the consumer in the form of products and services including carbon cloth and activated carbon for household odors. The following segment information represents the results of the Company's continuing operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Sales				
Activated Carbon and Service	$ 74,723	$ 67,435	$ 143,406	$ 132,620
Equipment	10,658	9,446	21,624	17,887
Consumer	3,047	3,629	6,428	6,582
	$ 88,428	$ 80,510	$ 171,458	$ 157,089
Income (loss) from continuing operations before depreciation, amortization, restructuring, and income taxes				
Activated Carbon and Service	$ 13,015	$ 9,061	$ 21,488	$ 14,109
Equipment	(607)	(2,013)	(736)	(3,672)
Consumer	548	788	1,376	998
	12,956	7,836	22,128	11,435
Depreciation and amortization				
Activated Carbon and Service	3,959	4,451	7,847	8,900
Equipment	243	208	483	418
Consumer	129	135	262	274
	4,331	4,794	8,592	9,592
Income from continuing operations before restructuring, equity in income from equity investments, and income taxes	8,625	3,042	13,536	1,843
Reconciling items:				
Restructuring charge	-	(1)	-	(7)
Interest income	400	234	702	320
Interest expense	(1,410)	(1,524)	(2,860)	(3,098)
Other expense - net	(408)	(514)	(811)	(1,358)
Consolidated income (loss) from continuing operations before income	$ 7,207	$ 1,237	$ 10,567	$ (2,300)

taxes and equity in income from
equity investments

7

		June 30, 2007		December 31, 2006
Total Assets				
Activated Carbon and Service	$	280,721	$	277,134
Equipment		33,584		34,031
Consumer		12,716		11,199
Consolidated total assets	$	327,021	$	322,364

6. Derivative Instruments

The Company accounts for its foreign exchange derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This standard requires recognition of all derivatives as either assets or liabilities at fair value and may result in additional volatility in both current period earnings and other comprehensive income as a result of recording recognized and unrecognized gains and losses from changes in the fair value of derivative instruments.

The Company had sixteen derivative instruments outstanding at June 30, 2007 of which one was a foreign currency swap, eight were foreign currency forward exchange contracts, and seven were cash flow hedges for forecasted purchases of natural gas. The Company applied hedge accounting treatment to the foreign currency swap and the seven cash flow hedges for forecasted natural gas. During the period ended June 30, 2007, the Company recorded an immaterial loss in other expense related to the foreign currency forward exchange contracts that did not qualify for hedge accounting treatment. The Company had twenty derivative instruments outstanding at June 30, 2006 of which one was a foreign currency swap and nineteen were foreign currency forward exchange contracts. The Company applied hedge accounting treatment to the foreign currency swap. During the period ended June 30, 2006, the Company recorded an immaterial gain in other income for the nineteen foreign currency forward exchange contracts that did not qualify for hedge accounting treatment.

On April 26, 2004, the Company entered into a ten-year foreign currency swap agreement to fix the foreign exchange rate on a $6.5 million intercompany loan between the Company and its foreign subsidiary, Chemviron Carbon Ltd. Since its inception, the foreign currency swap has been treated as a foreign exchange cash flow hedge. Accordingly, the change in the fair value of the effective hedge portion of the foreign currency swap of $0.1 million and $0.2 million, respectively, for the three and six month periods ended June 30, 2007 and ($15) thousand and ($0.1) million, respectively, for the three and six month periods ended June 30, 2006 was recorded in other comprehensive income (loss). The balance of the effective hedge portion of the foreign currency swap recorded in other long-term liabilities was $0.9 million and $0.7 million, respectively, as of June 30, 2007 and 2006.

The change in fair value of the cash flow hedges for the forecasted purchase of natural gas recorded in other long-term liabilities was $0.2 million and $(0.6) million, net of tax, respectively, for the three and six month periods ended June 30, 2007. The balance of the cash flow hedges for the forecasted purchase of natural gas recorded in other long-term liabilities was $0.3 million as of June 30, 2007.

No component of the derivatives gains or losses has been excluded from the assessment of hedge effectiveness. For the three and six month periods ended June 30, 2007 and 2006, the net gain or loss recognized due to the amount of hedge ineffectiveness was insignificant.

7. Contingencies

The Company purchased the common stock of Advanced Separation Technologies Incorporated (AST) from Progress Capital Holdings, Inc. and Potomac Capital Investment Corporation on December 31, 1996. On January 12, 1998, the Company filed a claim for unspecified damages in the United States District Court in the Western District of Pennsylvania alleging among other things that Progress Capital Holdings and Potomac Capital Investment Corporation materially breached various AST financial and operational representations and warranties included in the Stock Purchase Agreement and had defrauded the Company. On January 26, 2007, a jury returned a verdict in favor of the Company and against the defendants in the amount of $10.0 million, which has not been recorded in operations as of June 30, 2007. The defendants have filed post trial motions seeking to overturn the verdict. The Company has filed a motion for an award of prejudgment interest, which may be awarded at the discretion of the trial judge at the rate of 6% per annum (simple) from the date the complaint was filed. If the post trial motions of the defendants are denied, the defendants will be entitled to appeal to the United States Circuit Court of Appeals for the Third Circuit.

The Company is a party in three cases involving alleged infringement of its U.S. Patent No. 6,129,893 and U.S. Patent No. 6,565,803 B1 (“U.S. Patents”) and its Canadian Patent No. 2,331,525 (“525 Patent”) for the method of preventing infection from cryptosporidium found in drinking water. In the first case, Wedeco Ideal Horizons, Inc. filed suit against the Company in the United States District Court for the District of New Jersey seeking a declaratory judgment that it does not infringe the Company’s U.S. Patents on the grounds that the U.S. Patents are invalid and alleging unfair competition by the Company. On June 30, 2006, the District Court granted Wedeco’s motion for summary judgment on the issue of validity of the U.S. Patents, denied the Company’s motion for summary judgment on the infringement claim on the ground that there can be no infringement where there is no valid patent and granted the Company’s motion for summary judgment on Wedeco’s claim of unfair competition. On April 24, 2007, the United States Circuit Court of Appeals for the Federal Circuit Court affirmed the District Court’s judgment. The Company did not appeal this decision. In the second case, the Company filed suit against the Town of Ontario, New York, Trojan Technologies, Inc. (“Trojan”) and Robert Wykle, et al. in the United States District Court for the Western District of New York alleging that the defendants are practicing the method claimed within the U.S. Patents without a license. In the third case, the Company filed suit against the City of North Bay, Ontario, Canada (“North Bay”) and Trojan in the Federal Court of Canada alleging infringement of the Canadian Patent by North Bay and inducement of infringement by Trojan. On November 14, 2006, after a bench trial, the Court dismissed the Company’s claim for a declaration that the defendants infringed the Canadian Patent and the Company’s claims for an injunction, compensation, damages, interest, and costs and declared that the Canadian Patent is invalid. In March 2007, the Company and Trojan entered into a settlement whereby in exchange for a nominal cash payment and relief from legal fees, the Company granted Trojan worldwide immunity from all current and future legal action related to Calgon Carbon’s UV patents.

The Pennsylvania Department of Environmental Protection (“PADEP”) demanded that the Company reimburse the PADEP for response costs of that agency in respect of a site owned by a third party and located in Allegheny County, Pennsylvania (“Site”). On August 31, 2006, the Company and the PADEP entered into a Consent Order and Settlement in which the Company agreed to pay $515,000 in three installments to resolve the matter. This amount was charged to earnings for the second quarter ended June 30, 2006. On January 11, 2007, the PADEP notified the Company that the Consent Order and Agreement is final. As of July 2007, the Company paid the final installment of $0.3 million related to the settlement.

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 the 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, 2005, the balance recorded was $5.3 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. During the first four months of 2006, the Company undertook a process of evaluating contractors and securing bids to perform the remediation work on the Columbus, Ohio property. As a result of the evaluation of the additional information gathered during that process, the Company reduced its estimate of its liability by $1.3 million to $4.0 million as of June 30, 2006. The reduction of the liability was recorded as a reduction of selling, general and administrative expenses on the Company's condensed consolidated statement of operations for the six months ended June 30, 2006. The Company has not incurred any environmental remediation expense for the three and six months ended June 30, 2007 and has incurred a total of $0.2 million of environmental remediation expense to date. It is reasonably possible that a change in the estimate of this obligation will occur as remediation preparation and remediation activity commences. 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 not yet determined when it will proceed with remediation efforts.

In January 2007, the Company received a Notice of Violation (“NOV”) from the United States Environmental Protection Agency, Region 4 (“EPA”) alleging multiple violations of the Federal Resource Conservation and Recovery Act and corresponding EPA and Kentucky Department of Environmental Protection (“KYDEP”) hazardous waste management rules and regulations. The alleged violations are based on information provided by the Company during and after a Multi Media Compliance Evaluation inspection of the Company’s Big Sandy Plant, located in Catlettsburg, Kentucky, conducted by the EPA and the KYDEP in September 2005, and concern the hazardous waste spent activated carbon regeneration facility located at the Big Sandy Plant. The Company submitted its initial written response to the NOV in June 2007. The EPA has not indicated whether or not it will take formal enforcement action, or whether such action would involve the assessment of civil penalties, and has not specified a monetary amount of any civil penalties it might pursue in connection with this matter. At this time the Company cannot predict with any certainty the outcome of this matter or range of loss, if any.

In June 2007, the Company received a Notice Letter from the New York State Department of Environmental Conservation (“NYSDEC”) stating that NYSDEC has determined that “Calgon Corporation” 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 “Calgon Corporation” (and other PRPs) 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, which is estimated to cost between approximately $11 million and $14 million. The Company has not determined what portion of the costs associated with the remedial program, if any, it would be obligated to bear. The Notice Letter also demands payment of all monies that NYSDEC has already expended for investigation and remediation of the Site, but does not specify the amount that NYSDEC has expended. The Company is investigating this claim and, at this time, cannot predict with any certainty the outcome of this matter or range of loss, if any.

In July 2007, the Company received a Notice of Violation (“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 KYDEP in the Company’s Part B hazardous waste management facility permit application and related documents and directs the Company to submit a complete and accurate Part B application and related documents and to respond to KYDEP’s comments which are appended to the NOV. The Company is preparing a response to the NOV and KYDEP’s comments. 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. At this time the Company can not predict with any certainty the outcome of this matter or range of loss, if any.

The Company owns a 49% interest in a joint venture, Calgon Mitsubishi Chemical Corporation, which was formed on October 1, 2002. At June 30, 2007, Calgon Mitsubishi Chemical Corporation had $6.4 million in borrowings from an affiliate of the majority owner of the joint venture. The Company has agreed with the joint venture and the lender that, upon request by the lender, the Company will execute a guarantee for up to 49% of such borrowings. At June 30, 2007, the lender had not requested, and the Company has not provided, such guarantee.

In addition to the matters described above, the Company is involved in various legal proceedings, lawsuits and claims, including employment, product warranty and environmental matters of a nature considered normal to its business. It is the Company's policy to accrue for amounts related to these legal matters when it is probable that a liability has been incurred and the loss amount is reasonably estimable. Management believes, after consulting with counsel, 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.

8. Goodwill & Intangible Assets

The Company has elected to do the annual impairment test of its goodwill, as required by SFAS No. 142, on December 31 of each year or earlier if certain indicators exist. For purposes of the test, the Company has identified reporting units, as defined within SFAS No. 142, at a regional level for the Activated Carbon and Service segment and at the technology level for the Equipment segment and has allocated goodwill to these reporting units accordingly.

The changes in the carrying amounts of goodwill by segment for the six month period ended June 30, 2007 are as follows:

	Activated Carbon & Service Segment	Equipment Segment	Consumer Segment	Total
Balance as of January 1, 2007	$ 21,056	$ 6,381	$ 60	$ 27,497
Foreign exchange	108	163	-	271
Balance as of June 30, 2007	$ 21,164	$ 6,544	$ 60	$ 27,768

The following is a summary of the Company's identifiable intangible assets as of June 30, 2007 and December 31, 2006 respectively:

	June 30, 2007				
	Weighted Average Amortization Period	Gross Carrying Amount	Foreign Exchange	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets:					
Patents	15.4 Years	$ 1,369	$ -	$ (835)	$ 534
Customer Relationships	17.0 Years	9,323	45	(4,192)	5,176
License Agreement	5.0 Years	500	-	(367)	133
Product Certification	7.9 Years	1,682	-	(472)	1,210
Unpatented Technology	20.0 Years	2,875	-	(1,276)	1,599
Total	16.6 Years	$ 15,749	$ 45	$ (7,142)	$ 8,652

	December 31, 2006				
	Weighted Average Amortization Period	Gross Carrying Amount	Foreign Exchange	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets:					
Patents	15.4 Years	$ 1,369	$ -	$ (793)	$ 576
Customer Relationships	17.0 Years	9,323	11	(3,596)	5,738
License Agreement	5.0 Years	500	-	(317)	183
Product Certification	7.9 Years	665	-	(321)	344
Unpatented Technology	20.0 Years	2,875	-	(1,195)	1,680
Total	16.6 Years	$ 14,732	$ 11	$ (6,222)	$ 8,521

For the three and six months ended June 30, 2007, the Company recognized $0.5 million and $0.9 million, respectively, of amortization expense related to intangible assets. For the three and six months ended June 30, 2006, the Company recognized $0.4 million and $0.9 million, respectively, of amortization expense related to intangible assets. The Company estimates amortization expense to be recognized during the next five years as follows:

(Thousands)	
For the year ending December 31:	
2007	$ 1,785
2008	$ 1,585
2009	$ 1,312
2010	$ 1,168
2011	$ 824

9. Borrowing Arrangements

On August 18, 2006, the Company issued $75.0 million in aggregate principal amount of 5.00% Convertible Senior Notes due in 2036 (the “Notes”) and entered into a new revolving credit facility (the “Credit Facility”). The Company used $68.4 million of the net proceeds from its offering of the Notes to fully repay indebtedness under the Company’s prior revolving credit facility. Accordingly, all parties completed their obligations under the Amended and Restated Credit Agreement, dated as of January 30, 2006 (the “Old Credit Facility”). The material terms of the Notes and the Credit Facility are described below.

5.00% Convertible Senior Notes due 2036

The Company initially issued $65.0 million in aggregate principal amount of 5.00% Notes due in 2036 and granted the initial purchaser a 30-day option to purchase up to an additional $10.0 million principal amount of Notes solely to cover over-allotments, if any. The initial purchaser exercised this option in full. Accordingly, $75.0 million in aggregate principal amount of Notes were issued and sold on August 18, 2006. The Notes accrue interest at the rate of 5.00% per annum and are payable in cash semi-annually in arrears on each February 15 and August 15, which commenced February 15, 2007. The Notes will mature on August 15, 2036.

The Notes can be converted under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter) commencing after September 30, 2006, if the last reported sale price of the Company’s common stock is greater than or equal to 120% of the conversion price of the Notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading-day period (the “measurement period”) in which the trading price per Note for each day in the measurement period was less than 103% of the product of the last reported sale price of

the Company's common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the Offering Memorandum. On or after June 15, 2011, holders may convert their Notes at any time on the business day immediately preceding the maturity date. Upon conversion, the Company will pay cash for the principal amount of the Notes and shares of its common stock, if any, based on a daily conversion value (as described herein) calculated on a proportionate basis for each day of the 25 trading-day observation period.

For the period ended June 30, 2007, the last reported sale price of the Company's common stock was greater than 120% of the conversion price of the Notes for at least 20 trading days in the period of 30 consecutive trading days ended June 30, 2007. As a result, as of June 30, 2007, the holders of the Notes have the right to convert the Notes into cash and shares of common stock. Although the Company does not anticipate that a significant amount of these Notes will be converted, if any, as of June 30, 2007 the Company was required to reclassify as a current liability that portion of the Notes that cannot be refinanced on a long-term basis as provided by SFAS No. 6, "Classification of Short-Term Obligations Expected to be Refinanced."

The initial conversion rate is 196.0784 shares of the Company's common stock per $1,000 principal amount of Notes, equivalent to an initial conversion price of approximately $5.10 per share of common stock. The conversion rate is subject to adjustment in some events, including the payment of a dividend on the Company's common stock, but will not be adjusted for accrued interest, including any additional interest. In addition, following certain fundamental changes that occur prior to August 15, 2011, the Company will increase the conversion rate for holders who elect to convert Notes in connection with such fundamental changes in certain circumstances. The Company considered EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments," Issue 7, which indicates that if a reset of the conversion rate due to a contingent event occurs the Company would need to calculate if there is a beneficial conversion and record if applicable. Through June 30, 2007, no contingent events have occurred.

The Company may not redeem the Notes before August 20, 2011. On or after that date, the Company may redeem all or a portion of the Notes at any time. Any redemption of the Notes will be for cash at 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, including any additional interest to, but excluding, the redemption date.

Holders may require the Company to purchase all or a portion of their Notes on each of August 15, 2011, August 15, 2016, and August 15, 2026. In addition, if the Company experiences specified types of fundamental changes, holders may require it to purchase the Notes. Any repurchase of the Notes pursuant to these provisions will be for cash at a price equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest, including any additional interest to, but excluding, the purchase date.

The Notes are the Company's senior unsecured obligations, and rank equally in right of payment with all of its other existing and future senior indebtedness. The Notes are guaranteed by certain of the Company's domestic subsidiaries on a senior unsecured basis ("Subsidiary Guarantees"). The Subsidiary Guarantees are general unsecured senior obligations of the subsidiary guarantors ("Subsidiary Guarantors") and rank equally in right of payment with all of the existing and future senior indebtedness of the Subsidiary Guarantors. If the Company fails to make payment on the Notes, the Subsidiary Guarantors must make them instead. The Notes are effectively subordinated to any indebtedness of the Company's non-guarantor subsidiaries. The Notes are effectively junior to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

The Company sold the Notes to the original purchaser at a discount of $3.3 million that will be amortized over a period of five years. The discount is reflected as a deduction from the face amount of the debt. As of the period ended June 30, 2007, the Company recorded interest expense of $2.2 million, of which $0.3 million related to the amortization of the discount and $1.9 million related to the Notes. The Company incurred issuance costs of $1.5 million which were deferred and are being amortized over a five year period.

The Company and the Subsidiary Guarantors sold the Notes and the Subsidiary Guarantees in August 2006 to initial purchasers for resale only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), in an offering exempt from the registration requirements of the Securities Act and applicable state securities laws. In a related registration rights agreement, the Company and the Subsidiary Guarantors agreed, however, to use reasonable best efforts to file a shelf registration statement with the SEC within 90 days of the issue date and to cause such registration statement to become effective within 240 days from the issue date, in order to

register under the Securities Act resales of the Notes, the Subsidiary Guarantees and common stock issuable upon conversion of the Notes. The 90-day period expired on November 16, 2006, and the 240-day period expired on April 15, 2007. The Company did not file a shelf registration statement within the 90-day or cause such shelf registration to become effective within the 240-day period and, as a result, is obligated to pay predetermined additional interest to holders of the Notes pursuant to the terms of the registration rights agreement through the time when the registration statement was filed and declared effective. The Company implemented Financial Statement of Position (FSP) EITF 00-19-2, "Accounting for Registration Payment Arrangements" and accrued the probable liability of $0.2 million for penalty interest under SFAS No. 5, "Accounting for Contingencies," with an adoption date of January 1, 2007. The Company has filed a resale shelf registration statement on July 10, 2007, and the registration statement was declared effective on July 18, 2007, ending the Company's obligation to pay penalty interest. The Company will pay the penalty interest due in the third quarter of 2007.

Credit Facility

The Credit Facility was initially a $50.0 million facility and included a separate U.K. sub-facility and a separate Belgian sub-facility. On February 5, 2007, the Credit Facility was amended to increase the commitment amount to $55.0 million and was syndicated to include one additional lender. The Credit Facility permits the total revolving credit commitment to be increased up to $75.0 million. The facility matures on May 15, 2011. The terms of the syndicated Credit Facility were not materially different than the original facility prior to the February 5, 2007 syndication. Availability for domestic borrowings under the Credit Facility is 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 Credit Facility is conditioned upon various customary conditions.

The Credit Facility is secured by a first perfected security interest in substantially all of the Company's assets, with limitations under certain circumstances in the case of capital stock of foreign subsidiaries. Certain of the Company's domestic subsidiaries unconditionally guarantee all indebtedness and obligations related to domestic borrowings under the Credit Facility. The Company and certain of its domestic subsidiaries also unconditionally guarantee all indebtedness and obligations under the U.K. sub-facility.

As of June 30, 2007, the carrying amount of assets pledged as collateral was $56.0 million. The carrying amount as of June 30, 2007 for domestic, U.K., and Belgian borrowers were $44.3 million, $7.0 million, and $4.7 million, respectively. The Credit Facility contains a fixed charge coverage ratio covenant which becomes effective when total domestic availability falls below $11.0 million. As of June 30, 2007, total availability was $37.4 million. Availability as of June 30, 2007 for domestic, U.K., and Belgian borrowers was $32.7 million, $5.6 million, and zero, respectively. The Company can issue letters of credit up to $20.0 million of the available commitment amount under the Credit Facility. Sub-limits for letters of credit under the U.K. sub-facility and the Belgian sub-facility are $2.0 million and $6.0 million, respectively. Letters of credit outstanding at June 30, 2007 totaled $17.6 million.

The Credit Facility interest rate is based upon Euro-based ("LIBOR") rates with other interest rate options available. The applicable Euro Dollar margin in effect when the Company is in compliance with the terms of the facility ranges from 1.25% to 2.25% and is based upon the Company's overall availability under the Credit Facility. The unused commitment fee is equal to 0.375% per annum and is based upon the unused portion of the revolving commitment.

The Company incurred debt issuance costs of $0.5 million which were deferred and are being amortized over a five year period. The Company had no borrowings under the Credit Facility as of June 30, 2007.

The Credit Facility contains a number of negative and affirmative covenants. For the period ended June 30, 2007, the last reported sale price of the Company's common stock was greater than 120% of the conversion price of the Notes for at least 20 trading days in the period of 30 consecutive trading days ended June 30, 2007. As a result, as of June 30, 2007, the holders of the Notes have the right to convert the Notes into cash and shares of common stock. Although currently not anticipated by the Company, the ability of holders of the Notes to convert could be an event of default of the Credit Facility. Included in the Credit Facility is a provision for up to $10.0 million where Notes converted up to that amount will not be considered an event of default and the Company was able to classify up to that amount as long-term debt as it has the ability and intent to refinance it under the Credit Facility. The Credit Facility also includes a provision for up to $3.0 million of letters of credit under the Company's U.S., Belgium, and UK sub-limits that can be issued having expiration dates that are more than one year but not more than three years after the date of issuance.

The negative covenants provide for certain restrictions on possible acts by the Company related to matters such as additional indebtedness, certain liens, fundamental changes in the business, certain investments or loans, asset sales and other customary requirements. The Company was in compliance with all such negative covenants as of June 30, 2007 and is currently in compliance with such covenants.

Management cannot be assured that, after the June 30, 2007 financial statements have been provided to the lenders, there will not be any violation in future periods of the covenants contained in the Credit Facility. Although not currently anticipated by the Company, the conversion by holders of Notes above the $10.0 million provision, as described above, would be an event of default.

Belgian Credit Facility

The Company maintains a Belgian credit facility totaling 4.0 million Euros which is secured by a U.S. letter of credit provided under the Credit Facility. There are no financial covenants, and the Company had no outstanding borrowings under the Belgian credit facility as of June 30, 2007. Bank guarantees of 1.8 million Euros were issued as of June 30, 2007. The maturity date of this facility is December 15, 2007. Availability under this facility was 2.2 million Euros at June 30, 2007.

United Kingdom Credit Facility

The Company maintains a United Kingdom unsecured overdraft facility totaling 200,000 British Pounds Sterling. There are no financial covenants and the Company had no outstanding borrowings under this overdraft facility as of June 30, 2007. This facility is reviewed annually. The bank, in its sole discretion, may cancel at any time its commitment to provide this facility.

Chinese Credit Facility

The Company maintains a Chinese credit facility totaling 11.0 million RMB which is secured by a U.S. letter of credit provided under the Credit Facility. There are no financial covenants. The maturity date of this facility is December 31, 2007. The facility was fully utilized at June 30, 2007.

Fair Value of Debt

At June 30, 2007, the Company had $12.9 million of long-term debt which primarily consisted of $10.0 million of fixed rate Senior Convertible Notes that were entered into in August 2006. The fair value of these Notes at June 30, 2007 was $23.1 million. The increase in value is mainly due to the increase in the Company’s common stock price and its impact on the conversion features of the Notes. The remaining $2.9 million of long-term debt is based on prime rates, and accordingly, the carrying value of this obligation approximates its fair value.

At June 30, 2007, the Company had $63.6 million of outstanding short-term debt. Substantially all of the Company’s outstanding short-term debt at June 30, 2007 consists of $65.0 million, excluding debt discount of $2.8 million, of fixed rate Senior Convertible Notes that were entered into in August 2006. The fair value of these Notes at June 30, 2007 was $150.1 million. The increase in value is primarily due to the increase in the Company’s common stock price and its impact on the conversion features of the Notes.

Maturities of Debt

The Company is obligated to make principal payments on debt outstanding at June 30, 2007 of $1.4 million in 2007, $2.9 million in 2009 and $75.0 million in 2011. See also the 5.00% Convertible Senior Notes due 2036 section related to the holders’ optional conversion as of June 30, 2007.

10. Pensions

U.S. Plans:

For U.S. plans, the following table provides the components of net periodic pension costs of the plans for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30		Six Months Ended June 30	
Pension Benefits (in thousands)	2007	2006	2007	2006
Service cost	$ 234	$ 609	$ 556	$ 1,256
Interest cost	1,178	1,201	2,352	2,453
Expected return on plan assets	(1,229)	(1,066)	(2,458)	(2,129)
Amortization of prior service cost	62	56	123	137
Net amortization	119	203	188	456
Curtailment credit	(265)	-	(265)	-
Net periodic pension cost	$ 99	$ 1,003	$ 496	$ 2,173

The expected long-term rate of return on plan assets is 8.00% in 2007.

Employer Contributions

In its 2006 financial statements, the Company disclosed that it expected to contribute $3.2 million to its U.S. pension plans in 2007. As of June 30, 2007, the Company has contributed $0.8 million and expects to contribute $4.9 million over the remainder of the year which is $2.5 million more than originally estimated.

European Plans:

For European plans, the following table provides the components of net periodic pension costs of the plans for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30		Six Months Ended June 30	
Pension Benefits (in thousands)	2007	2006	2007	2006
Service cost	$ 189	$ 249	$ 370	$ 498
Interest cost	442	389	868	778
Expected return on plan assets	(328)	(272)	(648)	(544)
Amortization of prior service cost	11	12	22	24
Net amortization	26	44	51	88
Net periodic pension cost	$ 340	$ 422	$ 663	$ 844

The expected long-term rate of return on plan assets ranges from 5.00% to 6.90% in 2007.

Employer Contributions

In its 2006 financial statements, the Company disclosed that it expected to contribute $2.3 million to its European pension plans in 2007. As of June 30, 2007, the Company contributed $1.0 million. The Company expects to contribute the remaining $1.3 million over the remainder of the year.

Defined Contribution Plans

The Company also sponsors a defined contribution pension plan for certain U.S. employees that permits employee contributions of up to 50% of eligible compensation in accordance with Internal Revenue Service guidance. In September 2006, the Company announced the freezing of its defined benefit pension plan for all U.S. salaried employees replacing it with a defined contribution plan. Under this defined contribution plan, the Company makes a fixed contribution of 2% of eligible employee compensation on a quarterly basis and matches contributions made by each participant in an amount equal to 100% of the employee contribution up to a maximum of 2% of employee compensation. In addition, each of these employees is eligible for an additional Company contribution of up to 4% of employee compensation based upon annual Company performance at the discretion of the Company's Board of Directors. Employer matching contributions for non-representative employees vest after two years of service. For bargaining unit employees at the Catlettsburg, Kentucky facility, the Company contributes a maximum of $25.00 per month to the plan. For bargaining unit employees at the Columbus, Ohio facility, the Company began making contributions to the USW 401(k) Plan of $1.15 per actual hour worked for eligible employees when their former Barnebey Sutcliffe Employee USWA Local 23.08 401(k) Plan was discontinued and their defined benefit pension plan was frozen effective April 30, 2007. The Company realized a $0.3 million curtailment gain as a result of freezing the aforementioned plan. Employer matching contributions for bargaining unit employees vest immediately. Total expenses related to the defined contribution plans for the three months ended June 30, 2007 and 2006 were $0.3 million and $0.1 million, respectively, and for the six months ended June 30, 2007 and 2006 were $0.8 million and $0.2 million, respectively.

Effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132[R] (“SFAS 158”). SFAS 158 required the Company to record a transition adjustment to recognize the funded status of postretirement defined benefit plans, measured as the difference between the fair value of plan assets and the benefit obligations, in its balance sheet after adjusting for derecognition of the Company’s minimum pension liability as of December 31, 2006. Although the Company adopted the provisions of SFAS 158; it incorrectly presented the effect of this transition adjustment of $5,375,000 as a reduction to 2006 comprehensive income on its Consolidated Statements of Income and Comprehensive Income (Loss) included in Item 8 of its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the “2006 Form 10-K”). The impact of removing the SFAS 158 transition adjustment from the 2006 Consolidated Statements of Income and Comprehensive Income (Loss) changes the reported comprehensive income (loss) from $(3,935,000) to $1,440,000. The reported net loss of $(7,798,000) for 2006 and the related loss per share of $(0.20) are unaffected by this change. The Company will report the impact of removing the transition adjustment in its 2007 Form 10-K.

11. Earnings Per Share

Computation of basic and diluted net income per common share from continuing operations is performed as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Income (loss) from continuing operations available to common shareholders	$ 4,462	$ 2,139	$ 6,496	$ (850)
Income from discontinued operations available to common shareholders	-	297	-	1,872
Net income available to common shareholders	$ 4,462	$ 2,436	$ 6,496	$ 1,022
Weighted Average Shares Outstanding				
Basic	40,291,372	39,875,505	40,258,163	39,865,173
Effect of Dilutive Securities	7,453,694	201,399	5,549,090	-
Diluted	47,745,066	40,076,904	45,807,253	39,865,173
Net income per common share				
Basic:				
Income (loss) from continuing operations	$ .11	$ .05	$ .16	$ (.02)
Income from discontinued operations	-	.01	-	.05
Net Income	$ .11	$ .06	$ .16	$ .03
Diluted:				
Income (loss) from continuing operations	$ .09	$ .05	$ .14	$ (.02)
Income from discontinued operations	-	.01	-	.05
Net Income	$ .09	$ .06	$ .14	$ .03

The stock options that were excluded from the dilutive calculations as the effect would have been antidilutive were 6,100 and 1,644,668 for the three months ended June 30, 2007 and 2006, respectively, and 166,684 and 227,737 for the six months ended June 30, 2007 and 2006, respectively.

The Company's obligation under its Senior Convertible Notes is to settle the par value of the Notes in cash and to settle the amount in excess of par value in its common shares. Therefore, the Company is not required to include any shares underlying the Notes in its diluted weighted average shares outstanding until the average stock price per share for the quarter exceeds the $5.10 conversion price. At such time, only the number of shares that would be issuable (under the "treasury stock" method of accounting for share dilution) will be included, which is based upon the amount by which the average stock price exceeds the conversion price. For the first $0.50 per share that the Company's average stock price exceeds the $5.10 conversion price of the Notes, it will include approximately 1,300,000 additional shares in its diluted share count. For the second $0.50 per share that the Company's average stock price exceeds the $5.10 conversion price, it will include approximately 1,100,000 additional shares, for a total of approximately 2,400,000 shares, in its diluted share count, and so on, with the additional shares' dilution decreasing for each $1 per share that the Company's average stock price exceeds $5.10 if the stock price rises further above $5.10 (see table below). As of June 30, 2007, the average stock price for the 90-day trading period was $9.39 which was higher than the conversion price of $5.10 therefore 6,720,684 shares were included in the dilutive share calculation for the period of time the Notes were outstanding for the three month period ended June 30, 2007. The year-to-date dilutive effect of the Notes was calculated based on the weighted average number of incremental shares included in each quarterly diluted earnings per share computation.

"Treasury Stock" Method of Accounting for Share Dilution

Conversion Price:	$ 5.10
Number of underlying shares:	14,705,880
Principal Amount:	$ 75,000,000

Formula: Number of extra dilutive shares created
= ((Stock Price * Underlying Shares) - Principal)/Stock Price

Condition: Only applies when share price exceeds $5.10

Stock Price	Coversion Price	Price Difference	Included in Share Count	Share Dilution Per $1.00 Share Price Difference
$5.10	$ 5.10	$ 0.00	-	-
$5.60	$ 5.10	$ 0.50	1,313,023	2,626,046
$6.10	$ 5.10	$ 1.00	2,410,798	2,410,798
$7.10	$ 5.10	$ 2.00	4,142,500	2,071,250
$8.10	$ 5.10	$ 3.00	5,446,621	1,815,540
$9.10	$ 5.10	$ 4.00	6,464,122	1,616,031
$10.10	$ 5.10	$ 5.00	7,280,137	1,456,027
$11.10	$ 5.10	$ 6.00	7,949,123	1,324,854
$12.10	$ 5.10	$ 7.00	8,507,533	1,215,362
$13.10	$ 5.10	$ 8.00	8,980,689	1,122,586
$14.10	$ 5.10	$ 9.00	9,386,731	1,042,970

12. Other Financial Information

As described in Note 9, the Company has issued $75.0 million in aggregate principal amount of 5.00% Convertible Senior Notes due in 2036. The Notes are fully and unconditionally guaranteed by certain of our domestic subsidiaries on a senior unsecured basis. All of the subsidiary guarantors are 100% owned by the parent company and the guarantees are joint and several. The Subsidiary Guarantees are general unsecured senior obligations of the Subsidiary Guarantors and rank equally in right of payment with all of the existing and future senior indebtedness of the Subsidiary Guarantors. If the Company fails to make payment on the Notes, the Subsidiary Guarantors must make them instead. The Notes are effectively subordinated to any indebtedness of the Company's non-guarantor subsidiaries. The Notes are effectively junior to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Condensed consolidating unaudited financial information for Calgon Carbon Corporation (issuer); Calgon Carbon Investments Inc., Chemviron Carbon Ltd., Waterlink (UK) Holdings Ltd., Sutcliffe Speakman Ltd., Lakeland Processing Ltd., Charcoal Cloth (International) Ltd., BSC Columbus LLC, and CCC Columbus LLC (guarantor subsidiaries); and the non-guarantor subsidiaries are as follows:

Condensed Consolidating Statements of Operations
Three months ended June 30, 2007

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$ 78,340	$ 11,205	$ 7,239	$ (8,356)	$ 88,428
Cost of products sold	55,818	8,148	3,946	(8,356)	59,556
Depreciation and amortization	3,487	269	575	-	4,331
Selling, general and administrative expenses	12,616	1,318	1,075	-	15,009
Research and development expense	815	93	(1)	-	907
Interest (income) expense - net	5,231	(3,984)	(237)	-	