

Rockwood Holdings, Inc.  
Form 10-Q  
October 26, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-32609

**Rockwood Holdings, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**52-2277366**  
(I.R.S. Employer  
Identification No.)

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**100 Overlook Center, Princeton, New Jersey 08540**

(Address of principal executive offices) (Zip Code)

**(609) 514-0300**

(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) 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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

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

As of October 24, 2012, there were 77,652,708 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited).

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 862.8	\$ 940.9	\$ 2,677.9	\$ 2,854.9
Cost of products sold	595.2	609.4	1,747.2	1,856.7
Gross profit	267.6	331.5	930.7	998.2
Selling, general and administrative expenses	156.3	176.0	500.9	538.1
Restructuring and other severance costs	6.0	4.5	23.9	9.5
Operating income	105.3	151.0	405.9	450.6
Other expenses, net:				
Interest expense, net (a)	(21.1)	(26.3)	(56.5)	(74.0)
Loss on early extinguishment/modification of debt	(0.1)	(0.1)	(12.5)	(16.6)
Foreign exchange gain (loss) on financing activities, net	0.4	(2.4)	(7.3)	1.8
Other, net	(0.2)		(0.1)	(0.1)
Other expenses, net	(21.0)	(28.8)	(76.4)	(88.9)
Income from continuing operations before taxes	84.3	122.2	329.5	361.7
Income tax provision (benefit)	23.3	34.4	(54.9)	101.0
Income from continuing operations	61.0	87.8	384.4	260.7
Income from discontinued operations, net of tax (b)				120.3
Net income	61.0	87.8	384.4	381.0
Net loss (income) attributable to noncontrolling interest	0.6	(11.9)	(22.1)	(32.6)
Net income attributable to Rockwood Holdings, Inc. shareholders	\$ 61.6	\$ 75.9	\$ 362.3	\$ 348.4
Amounts attributable to Rockwood Holdings, Inc. shareholders:				
Income from continuing operations	\$ 61.6	\$ 75.9	\$ 362.3	\$ 228.1
Income from discontinued operations				120.3
Net income	\$ 61.6	\$ 75.9	\$ 362.3	\$ 348.4
Basic earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	\$ 0.79	\$ 0.99	\$ 4.67	\$ 2.98
Earnings from discontinued operations				1.58

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Basic earnings per share	\$	0.79	\$	0.99	\$	4.67	\$	4.56
Diluted earnings per share attributable to Rockwood Holdings, Inc. shareholders:								
Earnings from continuing operations	\$	0.77	\$	0.95	\$	4.53	\$	2.85
Earnings from discontinued operations								1.51
Diluted earnings per share	\$	0.77	\$	0.95	\$	4.53	\$	4.36
Dividends declared per share of common stock								
	\$	0.35	\$		\$	0.70	\$	
Weighted average number of basic shares outstanding								
		77,639		76,703		77,542		76,430
Weighted average number of diluted shares outstanding								
		79,963		80,030		79,914		79,907

(a) Interest expense includes:

Interest expense on debt	\$	(16.5)	\$	(21.2)	\$	(48.8)	\$	(71.3)
Mark-to-market (losses) gains on interest rate swaps		(2.3)		(3.9)		(2.5)		1.0
Deferred financing costs		(2.3)		(1.2)		(5.2)		(3.7)
Total	\$	(21.1)	\$	(26.3)	\$	(56.5)	\$	(74.0)

(b) Primarily relates to the gain on sale of the plastic compounding business in January 2011.

See accompanying notes to condensed consolidated financial statements.

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

(Unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	2012		2011		2012		2011	
Net income	\$	61.0	\$	87.8	\$	384.4	\$	381.0
Other comprehensive income, net of tax:								
Pension related adjustments		(2.5)		3.1		(1.4)		
Foreign currency translation (a)		21.8		(84.3)		2.9		(30.1)
Intercompany foreign currency loans		11.4		(64.8)		(5.5)		0.4
Net investment hedges				1.5		(0.3)		(10.6)
Foreign exchange contracts		0.2		(1.4)		(0.1)		0.5
Other comprehensive income (loss)		30.9		(145.9)		(4.4)		(39.8)
Comprehensive income (loss)		91.9		(58.1)		380.0		341.2
Comprehensive (income) loss attributable to noncontrolling interest		(1.2)		0.9		(19.6)		(31.6)
Comprehensive income (loss) attributable to Rockwood Holdings, Inc shareholders	\$	90.7	\$	(57.2)	\$	360.4	\$	309.6

(a) Excludes \$10.1 million reclassified to net income in the nine months ended September 30, 2011 related to the sale of the plastic compounding business in January 2011.

See accompanying notes to condensed consolidated financial statements.

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in millions, except per share amounts;****shares in thousands)****(Unaudited)**

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,489.9	\$ 321.5
Accounts receivable, net	521.2	454.1
Inventories	854.2	674.3
Deferred income taxes	13.7	10.2
Prepaid expenses and other current assets	67.2	75.1
Total current assets	2,946.2	1,535.2
Property, plant and equipment, net	1,674.3	1,618.5
Goodwill	843.2	849.6
Other intangible assets, net	452.7	509.7
Deferred financing costs, net	55.1	14.3
Deferred income taxes	153.2	19.3
Other assets	55.0	41.0
Total assets	\$ 6,179.7	\$ 4,587.6
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 205.3	\$ 249.1
Income taxes payable	65.2	45.8
Accrued compensation	114.8	161.4
Accrued expenses and other current liabilities	145.7	129.6
Deferred income taxes	4.7	3.8
Long-term debt, current portion	327.7	250.5
Total current liabilities	863.4	840.2
Long-term debt	2,673.1	1,437.2
Pension and related liabilities	460.7	450.7
Deferred income taxes	96.8	86.5
Other liabilities	116.4	100.6
Total liabilities	4,210.4	2,915.2
Restricted stock units	22.7	14.0
<b>EQUITY</b>		
Rockwood Holdings, Inc. stockholders' equity:		
Common stock (\$0.01 par value, 400,000 shares authorized, 77,742 shares issued and 77,648 shares outstanding at September 30, 2012; 400,000 shares authorized, 77,030 shares issued and 76,936 shares outstanding at December 31, 2011)	0.8	0.8
Paid-in capital	1,231.2	1,222.2
Accumulated other comprehensive income	8.2	10.1
Retained earnings	435.0	128.5
Treasury stock, at cost	(1.4)	(1.4)
Total Rockwood Holdings, Inc. stockholders' equity	1,673.8	1,360.2
Noncontrolling interest	272.8	298.2
Total equity	1,946.6	1,658.4
Total liabilities and equity	\$ 6,179.7	\$ 4,587.6

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See accompanying notes to condensed consolidated financial statements.



## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Nine months ended September 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 384.4	\$ 381.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax (a)		(120.3)
Depreciation and amortization	196.4	200.2
Deferred financing costs amortization	5.2	3.7
Loss on early extinguishment/modification of debt	12.5	16.6
Foreign exchange loss (gain) on financing activities, net	7.3	(1.8)
Fair value adjustment of derivatives	2.5	(1.0)
Bad debt provision	0.2	
Stock-based compensation	8.7	9.8
Deferred income taxes	(125.0)	21.3
Restructuring and other	11.9	0.3
Excess tax benefits from stock-based payment arrangements	(1.4)	
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(69.3)	(79.6)
Inventories	(112.5)	(71.4)
Prepaid expenses and other assets	(6.2)	3.5
Accounts payable	(19.8)	(18.8)
Income taxes payable	20.6	34.6
Accrued expenses and other liabilities	(23.9)	(11.4)
Net cash provided by operating activities of continuing operations	291.6	366.7
Net cash used in operating activities of discontinued operations	(2.7)	(1.8)
<b>Net cash provided by operating activities</b>	<b>288.9</b>	<b>364.9</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures (b)	(215.3)	(181.6)
Acquisitions	(69.2)	(0.8)
Proceeds on sale of assets	1.7	0.7
Net cash used in investing activities of continuing operations	(282.8)	(181.7)
Net cash provided by investing activities of discontinued operations, representing net sale proceeds in 2011		300.7
<b>Net cash (used in) provided by investing activities</b>	<b>(282.8)</b>	<b>119.0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock, net of fees	6.0	14.2
Excess tax benefits from stock-based payment arrangements	1.4	
Payments of long-term debt	(689.4)	(437.5)
Proceeds from long term debt	1,987.4	
Loan repayments to noncontrolling shareholders		(5.0)
Deferred financing costs	(47.5)	(5.3)
Fees related to early extinguishment/modification of debt	(9.2)	(13.4)
Dividend paid to shareholders	(54.3)	
Dividend distributions to noncontrolling shareholders	(45.3)	(9.8)
<b>Net cash provided by (used in) financing activities</b>	<b>1,149.1</b>	<b>(456.8)</b>
Effect of exchange rate changes on cash and cash equivalents	13.2	(9.9)

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Net increase in cash and cash equivalents	1,168.4	17.2
Less net decrease in cash and cash equivalents from discontinued operations		(16.6)
Increase in cash and cash equivalents from continuing operations	1,168.4	33.8
Cash and cash equivalents of continuing operations, beginning of period	321.5	324.1
Cash and cash equivalents of continuing operations, end of period	\$ 1,489.9	\$ 357.9
Supplemental disclosures of cash flow information:		
Interest paid	\$ 54.7	\$ 73.1
Income taxes paid, net of refunds	49.5	45.1
Non-cash investing activities:		
Acquisition of capital equipment	13.2	21.9

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(a) Primarily relates to the gain on sale of the plastic compounding business in January 2011.

(b) Net of government grants of \$8.9 million and \$9.8 million for the nine months ended September 30, 2012 and 2011, respectively.

See accompanying notes to condensed consolidated financial statements.

## ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF changes in stockholders equity

(Dollars in millions)

(Unaudited)

	Rockwood Holdings, Inc. Stockholders Equity									
	Total	Common Stock Shares	Common Stock Amount	Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Amount	Noncontrolling Interest	
Balance, January 1, 2012	\$ 1,658.4	76,936	\$ 0.8	\$ 1,222.2	\$ 10.1	\$ 128.5	94	\$ (1.4)	\$	298.2
Issuance of common stock	6.0	712		6.0						
Deferred compensation	1.5			1.5						
Dividend paid to shareholders (\$0.70 per share)	(54.3)			1.5		(55.8)				
Dividend distributions to noncontrolling shareholders	(45.0)									(45.0)
Other comprehensive loss, net of tax	(4.4)				(1.9)					(2.5)
Net income	384.4					362.3				22.1
Balance, September 30, 2012	\$ 1,946.6	77,648	\$ 0.8	\$ 1,231.2	\$ 8.2	\$ 435.0	94	\$ (1.4)	\$	272.8
Balance, January 1, 2011	\$ 1,341.3	75,897	\$ 0.8	\$ 1,202.6	\$ 132.7	\$ (282.8)	94	\$ (1.4)	\$	289.4
Issuance of common stock	14.2	914		14.2						
Deferred compensation	2.8			2.8						
Dividend distributions to noncontrolling shareholders	(9.9)									(9.9)
Other comprehensive loss, net of tax	(39.8)				(38.8)					(1.0)
Net income	381.0					348.4				32.6
Balance, September 30, 2011	\$ 1,689.6	76,811	\$ 0.8	\$ 1,219.6	\$ 93.9	\$ 65.6	94	\$ (1.4)	\$	311.1

See accompanying notes to condensed consolidated financial statements.

**ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES**

**Notes To Condensed Consolidated Financial Statements (Unaudited)**

**1. BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS:**

**Basis of Presentation** Rockwood Holdings, Inc., which may be referred to as Rockwood or the Company prepared these unaudited condensed consolidated financial statements following the requirements of the Securities and Exchange Commission and accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the condensed consolidated financial statements included in this Form 10-Q. These condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position as of September 30, 2012 and December 31, 2011, the results of operations and comprehensive income for the three and nine months ended September 30, 2012 and 2011, and cash flows and equity for the nine months ended September 30, 2012 and 2011. All intercompany balances and transactions have been eliminated. Material subsequent events are evaluated through the report issuance date and disclosed where applicable. These unaudited condensed consolidated financial statements and the related notes should be read in conjunction with the current report on Form 8-K filed with the Securities and Exchange Commission on September 18, 2012 (the Form 8-K ) and the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011. The audited consolidated financial statements included in the Form 8-K update the following information in the Company s audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011: the presentation of segment specific disclosures on a basis consistent with the Company s realigned segment reporting structure; the addition of certain guarantor information; and the addition of consolidated statements of comprehensive income. The changes included in the Form 8-K had no effect on previously reported results of operations, financial condition or cash flows. All other matters in the Annual Report on Form 10-K for the year ended December 31, 2011 remain unchanged.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited condensed consolidated financial statements may not be indicative of the full year results.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. These estimates include, among other things, assessing the collectability of accounts receivable, the use and recoverability of inventory, the valuation of deferred tax assets, the measurement of the accrual for uncertain tax benefits, impairment of goodwill as well as property, plant and equipment and other intangible assets, the accrual of environmental and legal reserves and the useful lives of tangible and intangible assets, among others. Actual results could differ from those estimates. Such estimates also include the fair value of assets acquired and liabilities assumed allocated to the purchase price of business combinations consummated.

Noncontrolling interest represents the total of the noncontrolling party s interest in certain investments (principally the Titanium Dioxide Pigments venture and the Viance, LLC timber treatment joint venture) that are consolidated but less than 100% owned.

In the first quarter of 2012, the Company reorganized its Specialty Chemicals segment into two reportable segments: Lithium and Surface Treatment. The metal sulfides business that was previously reported in the Specialty Chemicals segment is now included in the Corporate and other category. All prior-period amounts related to the segment change have been retrospectively reclassified throughout these condensed consolidated financial statements. See Note 2, Segment Information, for further details.

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Unless otherwise noted, all balance sheet-related items which are denominated in Euros are translated at the September 30, 2012 exchange rate of 1.00 = \$1.286. For the three months ended September 30, 2012 and 2011 and the nine months ended September 30, 2012 and 2011, the average rate of exchange of the Euro to the U.S. dollar is \$1.25 and \$1.41, respectively, and \$1.28 and \$1.41, respectively.

### *Recently Issued Accounting Standards:*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ) that substantially converged the requirements for fair value measurement and disclosure between the FASB and the International Accounting Standards Board ( IASB ). This ASU is largely consistent with existing fair value measurement principles under U.S. GAAP. The Company began providing the required additional disclosures from this ASU beginning with its Form 10-Q for the period ended March 31, 2012 for items that are not measured at fair value in the condensed consolidated balance sheets but for which fair value is required to be disclosed in the footnotes (see Note 4, Financial Instruments and Fair Value Measurements ).

In June 2011, the FASB issued an ASU that addressed the presentation of comprehensive income in the financial statements. This

accounting update allows an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, this ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The Company began providing the required additional disclosures from this ASU beginning with its Form 10-Q for the period ended March 31, 2012 by adding a condensed consolidated statement of comprehensive income.

## 2. SEGMENT INFORMATION:

Rockwood operates in five reportable segments according to the nature and economic characteristics of its products and services as well as the manner in which the information is used internally by the Company's key decision maker, who is the Company's Chief Executive Officer. The five segments are: (1) Lithium; (2) Surface Treatment; (3) Performance Additives, which consists of Color Pigments and Services, Timber Treatment Chemicals and Clay-based Additives; (4) Titanium Dioxide Pigments; and (5) Advanced Ceramics.

Items that cannot be readily attributed to individual segments have been classified as Corporate and other. Corporate and other operating loss primarily represents payroll, professional fees and other operating expenses of centralized functions such as treasury, tax, legal, internal audit and consolidation accounting as well as the cost of operating the Company's central offices (including some costs maintained based on legal or tax considerations). The Corporate and other classification also includes the results of operations of the metal sulfides business, rubber/thermoplastics compounding business and the wafer reclaim business.

Summarized financial information for each of the reportable segments is provided in the following tables:

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
<b>Net Sales:</b>				
Lithium	\$ 116.0	\$ 114.3	\$ 355.3	\$ 351.9
Surface Treatment	175.3	185.8	547.7	562.5
Performance Additives	178.1	200.7	580.1	614.7
Titanium Dioxide Pigments	229.6	252.6	666.4	735.4
Advanced Ceramics	130.3	146.2	417.7	455.3
Corporate and other	33.5	41.3	110.7	135.1
Total	\$ 862.8	\$ 940.9	\$ 2,677.9	\$ 2,854.9

The Company uses Adjusted EBITDA on a segment basis to assess the ongoing performance of the Company's business segments and reporting units. Because the Company views Adjusted EBITDA on a segment basis as an operating performance measure, the Company uses income (loss) from continuing operations before taxes as the most comparable U.S. GAAP measure. The summary of segment information below includes Adjusted EBITDA, a non-GAAP financial measure used by the Company's chief decision maker and senior management to evaluate the operating performance of each segment. See Note 3, Segment Information, in the Company's 2011 Annual Report on Form 10-K for a discussion of the use of Adjusted EBITDA as a non-GAAP financial measure.

<b>Three months ended September 30,</b>	<b>Nine months ended September 30,</b>
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(\$ in millions)	2012		2011		2012		2011	
<b>Adjusted EBITDA:</b>								
Lithium	\$	45.4	\$	42.7	\$	137.9	\$	129.9
Surface Treatment		37.9		37.9		116.6		115.0
Performance Additives		29.9		36.5		107.0		117.4
Titanium Dioxide Pigments		27.6		74.9		158.0		193.1
Advanced Ceramics		42.1		47.5		136.1		146.4
Corporate and other		(1.0)		(12.6)		(17.7)		(34.7)
Total	\$	181.9	\$	226.9	\$	637.9	\$	667.1

(\$ in millions)	Identifiable Assets as of	
	September 30, 2012	December 31, 2011
Lithium	\$ 1,261.7	\$ 1,189.5
Surface Treatment	996.0	947.5
Performance Additives	727.7	745.7
Titanium Dioxide Pigments	1,151.5	929.6
Advanced Ceramics	799.3	810.9
Corporate and other (a)	1,743.8	409.6
Eliminations (b)	(500.3)	(445.2)
Total	\$ 6,179.7	\$ 4,587.6

(a) Corporate and other identifiable assets primarily represent the operating assets of the businesses included herein described above, assets (primarily real estate) of legacy businesses formerly belonging to the Dynamit Nobel businesses acquired in 2004, deferred income tax assets and cash balances maintained in accordance with centralized cash management techniques.

(b) Amounts contained in the Eliminations column represent the individual subsidiaries' retained interest in their cumulative net cash balance (deposits less withdrawals) included in the corporate centralized cash system and within the identifiable assets of the respective segment. These amounts are eliminated as the corporate centralized cash system is included in the Corporate and other segment's identifiable assets.

Geographic information regarding net sales based on seller's location and long-lived assets are described in Note 3, Segment Information, in the Company's 2011 Annual Report on Form 10-K.



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Major components within the reconciliation of income (loss) from continuing operations before taxes to Adjusted EBITDA are described more fully below:

(\$ in millions)	Lithium	Surface Treatment	Performance Additives	Titanium Dioxide Pigments	Advanced Ceramics	Corporate and other	Consolidated
<b>Three months ended September 30, 2012</b>							
Income (loss) from continuing operations before taxes	\$ 32.2	\$ 23.1	\$ 12.3	\$ (0.8)	\$ 26.0	\$ (8.5)	\$ 84.3
Interest expense, net	0.7	3.0	1.2	9.9	2.8	3.5	21.1
Depreciation and amortization	11.1	7.8	14.9	17.1	12.4	2.2	65.5
Restructuring and other severance costs (a)	1.3	2.4	1.3		0.9	0.1	6.0
Systems/organization establishment expenses (b)	0.1	0.6		0.4			1.1
Acquisition and disposal costs (c)				0.4		1.6	2.0
Loss on early extinguishment/modification of debt (d)				0.1			0.1
Foreign exchange loss (gain) on financing activities, net		1.0			(0.2)	(1.2)	(0.4)
Other			0.2	0.5	0.2	1.3	2.2
<b>Total Adjusted EBITDA</b>	<b>\$ 45.4</b>	<b>\$ 37.9</b>	<b>\$ 29.9</b>	<b>\$ 27.6</b>	<b>\$ 42.1</b>	<b>\$ (1.0)</b>	<b>\$ 181.9</b>
<b>Three months ended September 30, 2011</b>							
Income (loss) from continuing operations before taxes	\$ 33.3	\$ 17.8	\$ 18.3	\$ 47.2	\$ 27.4	\$ (21.8)	\$ 122.2
Interest expense, net	1.9	5.2	2.2	6.1	5.2	5.7	26.3
Depreciation and amortization	10.6	8.1	14.6	18.2	13.3	2.2	67.0
Restructuring and other severance costs (a)	0.5	2.4	1.1		0.4	0.1	4.5
Systems/organization establishment expenses (b)		0.1	0.2				0.3
Acquisition and disposal costs					0.1	0.1	0.2
Loss on early extinguishment/modification of debt (d)	0.1						0.1
Foreign exchange (gain) loss on financing activities, net	(3.7)	4.2	0.2		1.0	0.7	2.4
Other (e)		0.1	(0.1)	3.4	0.1	0.4	3.9
<b>Total Adjusted EBITDA</b>	<b>\$ 42.7</b>	<b>\$ 37.9</b>	<b>\$ 36.5</b>	<b>\$ 74.9</b>	<b>\$ 47.5</b>	<b>\$ (12.6)</b>	<b>\$ 226.9</b>
<b>Nine months ended September 30, 2012</b>							
Income (loss) from continuing operations before taxes	\$ 84.6	\$ 69.5	\$ 50.8	\$ 82.4	\$ 85.9	\$ (43.7)	\$ 329.5
Interest expense, net	2.6	11.8	5.2	15.4	11.0	10.5	56.5
Depreciation and amortization	32.6	23.6	44.7	51.4	37.8	6.3	196.4
Restructuring and other severance costs (a)	13.4	4.4	4.9		1.0	0.2	23.9
Systems/organization establishment expenses (f)	0.4	0.6	0.2	1.9			3.1
Acquisition and disposal costs (c)		0.1		2.1		1.8	4.0
Loss on early extinguishment/modification of debt (d)	2.2	3.0	0.9	2.8	0.7	2.9	12.5
Foreign exchange loss (gain) on financing activities, net	2.0	3.1	(0.1)		(0.5)	2.8	7.3
Other (e)	0.1	0.5	0.4	2.0	0.2	1.5	4.7
<b>Total Adjusted EBITDA</b>	<b>\$ 137.9</b>	<b>\$ 116.6</b>	<b>\$ 107.0</b>	<b>\$ 158.0</b>	<b>\$ 136.1</b>	<b>\$ (17.7)</b>	<b>\$ 637.9</b>
<b>Nine months ended September 30, 2011</b>							
Income (loss) from continuing operations before taxes	\$ 90.9	\$ 60.2	\$ 61.8	\$ 126.6	\$ 83.6	\$ (61.4)	\$ 361.7
Interest expense, net	6.1	16.0	6.9	9.2	16.8	19.0	74.0
Depreciation and amortization	30.7	25.6	43.3	53.6	40.4	6.6	200.2
Restructuring and other severance costs (a)	2.4	4.6	1.9		0.5	0.1	9.5
Systems/organization establishment expenses (b)		0.4	0.6	0.3			1.3
Acquisition and disposal costs		0.1			0.1	0.2	0.4
	3.0	4.7	1.7		4.0	3.2	16.6

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Loss on early extinguishment/modification of debt (d)								
Foreign exchange (gain) loss on financing activities, net		(3.3)	2.8	1.2		0.8	(3.3)	(1.8)
Other (e)		0.1	0.6		3.4	0.2	0.9	5.2
Total Adjusted EBITDA	\$	129.9	\$ 115.0	\$ 117.4	\$ 193.1	\$ 146.4	\$ (34.7)	667.1

(a) See Note 13, Restructuring and Other Severance Costs, for further details.

(b) Primarily relates to costs incurred in conjunction with the integration of businesses acquired.

(c) Primarily relates to fees incurred in connection with the acquisition of certain business assets, including production assets and inventory, of crenox GmbH, a German titanium dioxide producer, and the acquisition of Talison Lithium Limited ( Talison ) which is expected to be completed in the fourth quarter of 2012.

(d) See Note 8, Long-Term Debt, for further details.

(e) Primarily relates to professional fees incurred in connection with exploring strategic options in the Company's Titanium Dioxide Pigments segment.

(f) Primarily relates to settlement costs associated with the termination of a supply agreement related to the formation of the Company's Titanium Dioxide Pigments venture and costs incurred in conjunction with the integration of businesses acquired.

**3. VARIABLE INTEREST ENTITIES:**

See Note 4, Variable Interest Entities, in the Company's 2011 Annual Report on Form 10-K for a detailed discussion of the Company's evaluation of variable interest entities.

**Viance LLC Joint Venture**

At September 30, 2012 and December 31, 2011, no consolidated assets of the Company were pledged as collateral for any obligations of Viance and the general creditors of Viance had no recourse against the Company. All intercompany accounts, balances and transactions have been eliminated. Viance's assets can only be used to settle direct obligations of Viance.

The carrying values of the assets and liabilities of the Viance joint venture included in the condensed consolidated balance sheets are as follows:

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	