

Rockwood Holdings, Inc.  
Form 10-Q  
November 14, 2006

**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, 2006

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.)

**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 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  Accelerated filer  Non-accelerated filer

Edgar Filing: Rockwood Holdings, Inc. - Form 10-Q

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 November 10, 2006, there were 73,784,632 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

---

TABLE OF CONTENTS

FORM 10-Q

PART I- FINANCIAL INFORMATION

<u>Item 1</u>	<u>Financial Statements (Unaudited)</u> <u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005</u> <u>Condensed Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005</u> <u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005</u> <u>Notes to Condensed Consolidated Financial Statements</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
<u>Item 4</u>	<u>Controls and Procedures</u>

PART II- OTHER INFORMATION

<u>Item 1</u>	<u>Legal Proceedings</u>
<u>Item 1A</u>	<u>Risk Factors</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>
<u>Item 4</u>	<u>Submission of Matters to a Vote of Security Holders</u>
<u>Item 5</u>	<u>Other Information</u>
<u>Item 6</u>	<u>Exhibits</u>

Signatures

## 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,	
	2006	2005	2006	2005
NET SALES	\$ 827.0	\$ 771.7	\$ 2,495.4	\$ 2,358.8
COST OF PRODUCTS SOLD	579.7	538.2	1,729.5	1,636.7
GROSS PROFIT	247.3	233.5	765.9	722.1
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	159.5	143.8	478.8	451.5
RESTRUCTURING CHARGES, net	1.7	2.9	3.9	8.7
MANAGEMENT SERVICES AGREEMENT TERMINATION FEE		10.0		10.0
OPERATING INCOME	86.1	76.8	283.2	251.9
OTHER INCOME (EXPENSES):				
Interest expense, net	(60.8 )	(55.4 )	(147.7 )	(177.6 )
Loss on early extinguishment of debt		(26.6 )		(26.6 )
Foreign exchange gain, net	4.8	2.1	7.7	116.1
Loss on sale of business			(12.1 )	
Other, net	0.3		2.7	
Net	(55.7 )	(79.9 )	(149.4 )	(88.1 )
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	30.4	(3.1 )	133.8	163.8
INCOME TAX PROVISION	12.4	10.8	34.5	52.5
NET INCOME (LOSS) BEFORE MINORITY INTEREST	18.0	(13.9 )	99.3	111.3
MINORITY INTEREST	3.4	0.6	(0.8 )	2.3
NET INCOME (LOSS)	\$ 21.4	\$ (13.3 )	\$ 98.5	\$ 113.6
Per share data:				
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$ 0.29	\$ (0.25 )	\$ 1.34	\$ 2.02
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ 0.29	\$ (0.25 )	\$ 1.31	\$ 1.98
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING	73,782	61,845	73,781	54,197
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	74,915	61,845	75,001	55,092

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, 2006	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 70.0	\$ 102.2
Accounts receivable, net	522.2	484.2
Inventories	494.0	458.2
Deferred income taxes	8.4	12.2
Prepaid expenses and other current assets	48.3	68.1
Total current assets	1,142.9	1,124.9
PROPERTY, PLANT AND EQUIPMENT, net	1,502.7	1,402.4
GOODWILL	1,681.9	1,599.2
OTHER INTANGIBLE ASSETS, net	586.1	583.0
DEFERRED DEBT ISSUANCE COSTS, net of accumulated amortization of \$22.2 and \$13.5, respectively	52.5	56.6
OTHER ASSETS	59.5	44.0
<b>TOTAL ASSETS</b>	<b>\$ 5,025.6</b>	<b>\$ 4,810.1</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 268.8	\$ 295.7
Income taxes payable	25.6	18.9
Accrued compensation	103.3	92.0
Restructuring liability	8.6	13.6
Accrued expenses and other current liabilities	232.3	191.1
Senior secured revolving credit facility	98.2	83.1
Total current liabilities	736.8	724.4
LONG-TERM DEBT	2,716.7	2,730.7
PENSION AND RELATED LIABILITIES	374.1	361.6
DEFERRED INCOME TAXES	34.7	27.2
OTHER LIABILITIES	98.7	106.3
Total liabilities	3,961.0	3,950.2
MINORITY INTEREST	28.0	25.2
<b>STOCKHOLDERS EQUITY:</b>		
Common stock (\$0.01 par value, 400,000 shares authorized, 73,879 shares issued and 73,785 shares outstanding at September 30, 2006; 400,000 shares authorized, 73,873 shares issued and 73,779 shares outstanding at December 31, 2005)	0.7	0.7
Paid-in capital	1,151.8	1,151.7
Accumulated other comprehensive income	154.6	52.0
Accumulated deficit	(269.1)	(367.6)
Treasury stock, at cost	(1.4)	(1.4)
Other	—	(0.7)
Total stockholders equity	1,036.6	834.7
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 5,025.6</b>	<b>\$ 4,810.1</b>

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,	
	2006	2005 As restated See Note 16
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 98.5	\$ 113.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165.2	154.7
Deferred financing costs amortization	7.2	8.3
Loss on early extinguishment of debt (including \$13.4 million of non- cash write-offs on deferred financing costs)		26.6
Foreign exchange gain, net	(7.7 )	(116.1 )
Non-cash interest expense on pay-in-kind loans		24.1
Loss on sale of business, net of cash	11.3	
Gains related to asset sales	(0.7 )	
Fair value adjustment of derivatives	(6.4 )	(12.6 )
Bad debt provision	0.6	0.8
Deferred income taxes	10.3	18.5
Minority interest	0.8	(2.3 )
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(20.1 )	(15.0 )
Inventories, including inventory write-up reversal	(28.1 )	(23.1 )
Prepaid expenses and other assets	18.7	(4.9 )
Accounts payable	(27.0 )	35.2
Income taxes payable	17.3	10.7
Accrued expenses and other liabilities	6.8	(19.6 )
<b>Net cash provided by operating activities</b>	<b>246.7</b>	<b>198.9</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions, net of cash acquired	(13.4 )	
Post closing purchase price consideration		(16.1 )
Capital expenditures, excluding capital leases	(146.4 )	(139.3 )
Proceeds on sale of property, plant and equipment	4.0	0.2
<b>Net cash used in investing activities</b>	<b>(155.8 )</b>	<b>(155.2 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock, net of fees		435.7
Proceeds from senior secured credit facilities	170.2	331.0
Repayment of senior secured credit facilities	(242.7 )	(338.4 )
Long-term debt repayments from IPO proceeds		(370.7 )
Payments on other long-term debt	(48.2 )	(26.2 )
Redemption of redeemable convertible preferred stock from IPO proceeds		(38.5 )
Costs related to early extinguishment of debt		(13.2 )
<b>Net cash used in financing activities</b>	<b>(120.7 )</b>	<b>(20.3 )</b>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2.4 )	(0.9 )
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(32.2 )</b>	<b>22.5</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	102.2	111.3
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 70.0	\$ 133.8
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid, net	\$ 116.9	\$ 128.6
Income taxes paid, net of refunds	\$ 11.2	\$ 24.9
<b>NON-CASH INVESTING ACTIVITIES:</b>		

Edgar Filing: Rockwood Holdings, Inc. - Form 10-Q

Acquisition of equipment under capital leases	\$	4.1	\$	4.9
Decrease in liabilities for property, plant and equipment	\$	(16.4	)	\$