Rockwood Holdings, Inc.
Form 10-Q
August 05, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

Or

o **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	**52-2277366**
(State or other jurisdiction of incorporation or organization)	(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 x No o

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 x No o

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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

As of August 1, 2013, there were 74,701,097 outstanding shares of common stock, par value $0.01 per share, of the Registrant.

TABLE OF CONTENTS

FORM 10-Q

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 June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net sales	$ 822.3	$ 762.8	$ 1,614.0	$ 1,527.7
Cost of products sold	621.2	505.2	1,203.0	990.1
Gross profit	201.1	257.6	411.0	537.6
Selling, general and administrative expenses	154.7	139.7	300.3	287.4
Restructuring and other severance costs	2.7	3.6	9.7	17.8
Asset write-downs and other	4.7	0.2	4.8	0.2
Operating income	39.0	114.1	96.2	232.2
Other expenses, net:				
Interest expense, net	(23.4)	(15.0)	(52.5)	(35.4)
Loss on early extinguishment/modification of debt		(2.7)	(17.6)	(12.4)
Foreign exchange gain (loss) on financing activities, net	4.3	(6.4)	(10.9)	(8.0)
Other, net		0.1		0.1
Other expenses, net	(19.1)	(24.0)	(81.0)	(55.7)
Income from continuing operations before taxes	19.9	90.1	15.2	176.5
Income tax provision (benefit)	3.6	(117.1)	3.7	(94.9)
Income from continuing operations	16.3	207.2	11.5	271.4
Income from discontinued operations, net of tax	17.1	26.5	38.8	52.0
Net income	33.4	233.7	50.3	323.4
Net (income) loss attributable to noncontrolling interest	(1.1)	(8.8)	0.9	(22.7)
Net income attributable to Rockwood Holdings, Inc. shareholders	$ 32.3	$ 224.9	$ 51.2	$ 300.7
Amounts attributable to Rockwood Holdings, Inc.:				
Income from continuing operations	$ 15.2	$ 198.4	$ 12.4	$ 248.7
Income from discontinued operations	17.1	26.5	38.8	52.0
Net income	$ 32.3	$ 224.9	$ 51.2	$ 300.7
Basic earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	$ 0.20	$ 2.56	$ 0.16	$ 3.21
Earnings from discontinued operations	0.22	0.34	0.50	0.67
Basic earnings per share	$ 0.42	$ 2.90	$ 0.66	$ 3.88

Diluted earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	$ 0.19	$ 2.48	$ 0.16	$ 3.11
Earnings from discontinued operations	0.22	0.33	0.48	0.65
Diluted earnings per share	$ 0.41	$ 2.81	$ 0.64	$ 3.76
Dividends declared per share of common stock	$ 0.40	$ 0.35	$ 0.80	$ 0.35
Weighted average number of basic shares outstanding	77,089	77,600	77,806	77,492
Weighted average number of diluted shares outstanding	78,746	80,011	79,461	79,994

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 June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net income	$ 33.4	$ 233.7	$ 50.3	$ 323.4
Other comprehensive income (loss), net of tax:				
Pension related adjustments	2.2	3.4	10.6	1.1
Foreign currency translation	1.4	(52.2)	(29.7)	(18.9)
Intercompany foreign currency loans	11.2	(39.4)	(10.8)	(16.9)
Foreign exchange contracts and other	0.1	(0.3)		(0.6)
Other comprehensive income (loss)	14.9	(88.5)	(29.9)	(35.3)
Comprehensive income	48.3	145.2	20.4	288.1
Comprehensive income attributable to noncontrolling interest	(1.1)	(0.1)	(0.4)	(18.4)
Comprehensive income attributable to Rockwood Holdings, Inc. shareholders	$ 47.2	$ 145.1	$ 20.0	$ 269.7

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)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 321.7	$ 1,273.6
Accounts receivable, net	512.7	409.9
Inventories	686.4	737.8
Deferred income taxes	9.4	9.2
Prepaid expenses and other current assets	90.1	82.4
Assets of discontinued operations	819.1	806.8
Total current assets	2,439.4	3,319.7
Property, plant and equipment, net	1,422.5	1,411.4
Goodwill	603.9	610.5
Other intangible assets, net	327.5	353.7
Deferred financing costs, net	29.8	51.7
Deferred income taxes	216.4	210.2
Other assets	68.0	57.2
Total assets	$ 5,107.5	$ 6,014.4
LIABILITIES		
Current liabilities:		
Accounts payable	$ 229.7	$ 209.3
Income taxes payable	2.1	33.0
Accrued compensation	87.3	89.3
Accrued expenses and other current liabilities	141.3	136.3
Deferred income taxes	4.1	3.4
Long-term debt, current portion	42.8	553.1
Liabilities of discontinued operations	221.0	203.8
Total current liabilities	728.3	1,228.2
Long-term debt	2,177.9	2,197.1
Pension and related liabilities	486.2	497.1
Deferred income taxes	55.5	50.8
Other liabilities	113.7	119.0
Total liabilities	3,561.6	4,092.2
Commitments and Contingencies - See Note 16		
Restricted stock units	20.2	12.5
EQUITY		
Rockwood Holdings, Inc. stockholders equity:		
Common stock ($0.01 par value, 400,000 shares authorized, 79,247 shares issued and 75,742 shares outstanding at June 30, 2013; 400,000 shares authorized, 78,560 shares issued and 78,466 shares outstanding at December 31, 2012)	0.8	0.8
Paid-in capital	1,243.7	1,243.1
Accumulated other comprehensive loss	(73.1)	(14.3)
Retained earnings	416.5	428.4
Treasury stock, at cost (3,505 shares and 94 shares, respectively)	(217.8)	(1.4)
Total Rockwood Holdings, Inc. stockholders equity	1,370.1	1,656.6

Noncontrolling interest		155.6		253.1
Total equity		1,525.7		1,909.7
Total liabilities and equity	$	5,107.5	$	6,014.4

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Six months ended June 30, 2013	Six months ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 50.3	$ 323.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(38.8)	(52.0)
Depreciation and amortization	108.3	105.5
Deferred financing costs amortization	3.9	2.9
Loss on early extinguishment/modification of debt	17.6	12.4
Foreign exchange loss on financing activities, net	10.9	8.0
Fair value adjustment of derivatives	(0.9)	0.2
Bad debt provision	0.3	0.1
Stock-based compensation	6.6	5.8
Deferred income taxes	(4.5)	(133.1)
Asset write-downs and other	4.8	11.7
Excess tax benefits from stock-based payment arrangements	(2.4)	(1.4)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(113.8)	(71.0)
Inventories	38.8	(97.9)
Prepaid expenses and other assets	(23.0)	(0.2)
Accounts payable	32.4	(9.8)
Income taxes payable	(35.6)	23.6
Accrued expenses and other liabilities	11.4	(44.3)
Net cash provided by operating activities of continuing operations	66.3	83.9
Net cash provided by operating activities of discontinued operations	67.9	62.7
Net cash provided by operating activities	134.2	146.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net (a)	(123.5)	(126.2)
Acquisitions	(3.6)	(0.8)
Proceeds on sale of assets	0.4	0.4
Net cash used in investing activities of continuing operations	(126.7)	(126.6)
Net cash used in investing activities of discontinued operations	(29.0)	(16.5)
Net cash used in investing activities	(155.7)	(143.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net of fees	5.2	6.0
Excess tax benefits from stock-based payment arrangements	2.4	1.4
Payments of long-term debt	(527.1)	(663.7)
Proceeds from long term debt	6.6	737.2
Deferred financing costs		(27.6)
Fees related to early extinguishment/modification of debt	(0.6)	(8.8)
Purchase of noncontrolling interest	(130.3)	
Distributions to noncontrolling shareholders	(2.1)	(41.3)
Dividend distributions to shareholders	(61.9)	
Share repurchases	(216.4)	
Net cash (used in) provided by financing activities of continuing operations	(924.2)	3.2
Net cash used in financing activities of discontinued operations	(0.6)	(0.8)

Net cash (used in) provided by financing activities		(924.8)		2.4
Effect of exchange rate changes on cash and cash equivalents		(5.6)		16.0
Net (decrease) increase in cash and cash equivalents		(951.9)		21.9
Cash and cash equivalents, beginning of period		1,273.6		321.5
Cash and cash equivalents, end of period	$	321.7	$	343.4
Supplemental disclosures of cash flow information:				
Interest paid	$	54.6	$	38.1
Income taxes paid, net of refunds		43.8		28.2
Non-cash investing activities:				
Acquisition of capital equipment included in accounts payable		12.8		12.7

(a) Net of government grants of $1.5 million and $7.6 million for the six months ended June 30, 2013 and 2012, 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	Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Noncontrolling Interest
Balance, January 1, 2013	$ 1,909.7	$ 0.8	$ 1,243.1	$ (14.3)	$ 428.4	$ (1.4)	$ 253.1
Issuance of common stock	5.2		5.2				
Deferred compensation	1.1		1.1				
Share repurchases	(216.4)					(216.4)	
Dividend paid to shareholders ($0.80 per share)	(61.9)		1.2		(63.1)		
Distributions to noncontrolling shareholders	(2.1)						(2.1)
Purchase of noncontrolling interest	(130.3)		(6.9)	(27.6)			(95.8)
Other comprehensive (loss) income, net of tax	(29.9)			(31.2)			1.3
Net income	50.3				51.2		(0.9)
Balance, June 30, 2013	$ 1,525.7	$ 0.8	$ 1,243.7	$ (73.1)	$ 416.5	$ (217.8)	$ 155.6
Balance, January 1, 2012	$ 1,658.4	$ 0.8	$ 1,222.2	$ 10.1	$ 128.5	$ (1.4)	$ 298.2
Issuance of common stock	6.0		6.0				
Deferred compensation	1.5		1.5				
Dividend declared to shareholders ($0.35 per share)	(27.2)		0.8		(28.0)		
Distributions declared to noncontrolling shareholders	(2.2)						(2.2)
Distributions to noncontrolling shareholders	(41.3)						(41.3)
Other comprehensive loss, net of tax	(35.3)			(31.0)			(4.3)
Net income	323.4				300.7		22.7
Balance, June 30, 2012	$ 1,883.3	$ 0.8	$ 1,230.5	$ (20.9)	$ 401.2	$ (1.4)	$ 273.1

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 June 30, 2013 and December 31, 2012, the results of operations and comprehensive income for the three and six months ended June 30, 2013 and 2012, and cash flows and equity for the three and six months ended June 30, 2013 and 2012. 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 audited consolidated financial statements for the year ended December 31, 2012 included in the Annual Report on Form 10-K. 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.

On June 14, 2013, the Company entered into a definitive agreement to sell CeramTec, its Advanced Ceramics business for 1.49 billion (approximately $1.9 billion), subject to customary adjustments. This transaction is expected to close in the third quarter of 2013, following receipt of certain regulatory approvals. As of June 30, 2013, this business met the criteria for being reported as a discontinued operation. As a result, the Company s condensed consolidated financial statements have been reclassified to reflect discontinued operations for all periods presented. See Note 2, Discontinued Operations, for further details.

Noncontrolling interest represents the total of the noncontrolling party s interest in certain investments (principally the Titanium Dioxide Pigments venture and the Timber Treatment joint venture in the Performance Additives segment) that are consolidated but less than 100% owned. On February 15, 2013, the Company acquired Kemira s 39% interest in its former Titanium Dioxide Pigments venture for a purchase price of 97.5 million ($130.3 million based on the rate in effect on the date of purchase). As a result, the Company owns 100% of the Titanium Dioxide Pigments business.

Unless otherwise noted, all balance sheet-related items which are denominated in Euros are translated at the June 30, 2013 exchange rate of 1.00 = $1.3010. For the three months ended June 30, 2013 and 2012 and the six months ended June 30, 2013 and 2012, the average rate of exchange of the Euro to the U.S. dollar is $1.31 and $1.28, respectively, and $1.31 and $1.30, respectively.

Recently Issued Accounting Standards:

In February 2013, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that addressed the reporting of amounts reclassified out of accumulated other comprehensive income, as well as changes within accumulated other comprehensive income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income, but will require companies to present the effects of the line items of net income of significant amounts reclassified out of accumulated other comprehensive income. This ASU was effective for the Company beginning with its Form 10-Q for the quarterly period ended March 31, 2013. The required disclosures from this ASU are included in Note 15, Accumulated Other Comprehensive Income.

In February 2013, the FASB issued an ASU that addressed obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This ASU is effective for the Company in its first quarter beginning January 1, 2014 and is not expected to have a material impact on the Company s financial statements.

In March 2013, the FASB issued an ASU that addressed the release of the cumulative translation adjustment (CTA) into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business. This ASU requires a parent to release any related CTA into net income only if the sale results in the complete or substantially complete liquidation of the foreign entity. This practice is consistent with the Company s previous accounting policy and will not have an impact on the Company s financial statements. This ASU is effective for the Company in its first quarter beginning January 1, 2014.

In July 2013, the FASB issued an ASU that eliminates diversity in practice for presentation of a unrecognized tax benefit when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryfoward is available to reduce the taxable income or tax payable that would result from disallowance of a tax position. Under this ASU, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryfoward except when: an NOL carryforward, a similar tax loss, or a tax credit carryfoward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; and the entity does not intend to use the deferred tax asset for this purpose. This ASU is effective for the Company in its first quarter beginning January 1, 2014 and is not expected to have a material impact on the Company s financial statements.

2. DISCONTINUED OPERATIONS:

On June 14, 2013, the Company entered into a definitive agreement to sell CeramTec, its Advanced Ceramics business for 1.49 billion gross proceeds (approximately $1.9 billion), subject to customary adjustments. This transaction is expected to close in the third quarter of 2013, following receipt of certain regulatory approvals. As of June 30, 2013, this business met the criteria for being reported as a discontinued operation.

Operating results of the discontinued operations of the Advanced Ceramics segment included in the condensed consolidated statements of operations for the three and six months ended June 30, 2013 and 2012 are as follows:

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2013**	**2012**	**2013**	**2012**
Net sales	$ 150.0	$ 142.8	$ 292.9	$ 287.4
Cost of products sold	83.8	80.1	162.8	161.9
Gross profit	66.2	62.7	130.1	125.5
Selling, general and administrative expenses	41.1	27.7	75.5	57.1
Operating income	25.1	35.0	54.6	68.4
Other (expenses) income	(0.4)	(0.2)	(0.3)	0.3
Income before taxes	24.7	34.8	54.3	68.7
Income tax provision	7.6	8.3	15.5	16.7
Net income	$ 17.1	$ 26.5	$ 38.8	$ 52.0

The carrying value of the assets and liabilities of the Advanced Ceramics segment included as discontinued operations in the condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012 are as follows:

($ in millions)		June 30, 2013		December 31, 2012
ASSETS				
Accounts receivable, net	$	76.9	$	64.4
Inventories		92.1		85.1
Property, plant and equipment, net		308.4		304.0
Goodwill		250.6		254.3
Other intangible assets, net		83.4		92.1
Other assets		7.7		6.9
Total assets	$	819.1	$	806.8
LIABILITIES				
Accounts payable and other current liabilities	$	70.4	$	57.8
Pension and related liabilities		78.6		79.5
Other liabilities		72.0		66.5
Total liabilities	$	221.0	$	203.8

3. SEGMENT INFORMATION:

Rockwood operates in four 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 four segments are: (1) Lithium; (2) Surface Treatment; (3) Performance Additives, which consists of Color Pigments and Services, Timber Treatment Chemicals and Clay-based Additives; and (4) Titanium Dioxide Pigments.

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:

	Three months ended June 30,				Six months ended June 30,			
($ in millions)		2013		2012		2013		2012
Net Sales:								
Lithium	$	125.7	$	124.6	$	244.2	$	239.3
Surface Treatment		191.2		183.8		375.7		372.4
Performance Additives		192.9		205.5		370.0		402.0
Titanium Dioxide Pigments		275.8		211.7		548.9		436.8
Corporate and other		36.7		37.2		75.2		77.2
Total (a)	$	822.3	$	762.8	$	1,614.0	$	1,527.7

(a) This amount does not include $150.0 million and $142.8 million for the three months ended June 30, 2013 and 2012, respectively, and $292.9 million and $287.4 million for the six months ended June 30, 2013 and 2012, respectively, of net sales from the Advanced Ceramics segment which has been reported as discontinued operations.

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) 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 2012 Annual Report on Form 10-K for a discussion of the use of Adjusted EBITDA as a non-GAAP financial measure.

($ in millions)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Adjusted EBITDA:				
Lithium	$ 49.0	$ 48.1	$ 95.9	$ 92.5
Surface Treatment	43.4	39.0	82.9	78.7
Performance Additives	39.3	38.3	75.1	77.1
Titanium Dioxide Pigments	(9.5)	54.8	(0.9)	130.4
Corporate and other	(6.1)	(6.8)	(15.2)	(16.7)
Total (a)	$ 116.1	$ 173.4	$ 237.8	$ 362.0

(a) This amount does not include $49.6 million and $47.7 million for the three months ended June 30, 2013 and 2012, respectively, and $96.1 million and $94.0 million for the six months ended June 30, 2013 and 2012, respectively, of Adjusted EBITDA from the Advanced Ceramics segment which has been reported as discontinued operations.

($ in millions)	Identifiable Assets as of June 30, 2013	Identifiable Assets as of December 31, 2012
Lithium	$ 1,282.2	$ 1,258.1
Surface Treatment	995.7	978.2
Performance Additives	685.6	676.3
Titanium Dioxide Pigments	1,115.3	1,168.5
Corporate and other (a)	645.8	1,578.1
Eliminations (b)	(436.2)	(451.6)
Total (c)	$ 4,288.4	$ 5,207.6

(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 and cash equivalent balances maintained in accordance with centralized cash management techniques.

(b) Amounts included in Eliminations represent individual subsidiaries retained interest in their cumulative net cash balance (deposits less withdrawals) included in the corporate cash concentration arrangements. These amounts are eliminated as the cash concentration arrangement balances are included in the Corporate and other segment s identifiable assets.

(c) Amounts do not include $819.1 million and $806.8 million of identifiable assets at June 30, 2013 and December 31, 2012, respectively, from the Advanced Ceramics segment which has been reported as discontinued operations. Total identifiable assets including these amounts were $5,107.5 million and $6,014.4 million as of June 30, 2013 and December 31, 2012, respectively.

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 2012 Annual Report on Form 10-K.

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

($ in millions)	Lithium	Surface Treatment	Performance Additives	Titanium Dioxide Pigments	Corporate and other	Consolidated
Three months ended June 30, 2013						
Income (loss) from continuing operations before taxes	$ 29.2	$ 30.2	$ 21.7	$ (28.4)	$ (32.8)	$ 19.9
Interest expense, net	0.7	2.9	1.3	0.4	18.1	23.4
Depreciation and amortization	11.8	7.6	14.5	18.1	2.4	54.4
Restructuring and other severance costs (a)	0.5	1.2	0.9	0.1		2.7
Systems/organization establishment expenses (b)	0.4	0.1		0.2		0.7
Acquisition and disposal costs (c)		0.8	0.2	0.1	12.4	13.5
Asset write-downs and other (d)	4.7					4.7
Foreign exchange loss (gain) on financing activities, net	1.7	0.6	0.3		(6.9)	(4.3)
Other			0.4		0.7	1.1
Total Adjusted EBITDA from continuing operations	$ 49.0	$ 43.4	$ 39.3	$ (9.5)	$ (6.1)	$ 116.1
Three months ended June 30, 2012						
Income (loss) from continuing operations before taxes	$ 36.4	$ 23.7	$ 20.0	$ 29.6	$ (19.6)	$ 90.1
Interest expense, net	0.9	3.6	1.8	3.6	5.1	15.0
Depreciation and amortization	10.8	7.9	14.7	17.0	2.1	52.5
Restructuring and other severance costs (a)	0.8	1.2	1.6			3.6
Systems/organization establishment expenses (b)	0.3		0.1			0.4
Acquisition and disposal costs (c)		0.1		1.7	0.2	2.0
Loss on early extinguishment/modification of debt (e)				2.7		2.7
Asset write-downs and other		0.1	0.1			0.2
Foreign exchange (gain) loss on financing activities, net	(1.2)	2.1	(0.1)		5.6	6.4
Other	0.1	0.3	0.1	0.2	(0.2)	0.5
Total Adjusted EBITDA from continuing operations	$ 48.1	$ 39.0	$ 38.3	$ 54.8	$ (6.8)	$ 173.4
Six months ended June 30, 2013						
Income (loss) from continuing operations before taxes	$ 59.6	$ 57.4	$ 40.8	$ (61.7)	$ (80.9)	$ 15.2
Interest expense, net	1.4	5.9	2.7	6.3	36.2	52.5
Depreciation and amortization	22.9	15.5	28.9	36.3	4.7	108.3
Restructuring and other severance costs (a)	4.4	3.4	1.5	0.4		9.7
Systems/organization establishment expenses (b)	0.5	0.7		0.1		1.3
Acquisition and disposal costs (c)	0.1	0.8	0.3	0.1	14.7	16.0
Loss on early extinguishment/modification of debt (e)				17.6		17.6
Asset write-downs and other (d)	4.7		0.1			4.8
Foreign exchange loss (gain) on financing activities, net	2.3	(1.3)	0.4		9.5	10.9
Other		0.5	0.4		0.6	1.5
	$ 95.9	$ 82.9	$ 75.1	$ (0.9)	$ (15.2)	$ 237.8

Total Adjusted EBITDA from continuing operations						
Six months ended June 30, 2012						
Income (loss) from continuing operations before taxes	$ 52.4	$ 46.4	$ 38.5	$ 83.2	$ (44.0)	$ 176.5
Interest expense, net	1.9	8.8	4.0	5.5	15.2	35.4
Depreciation and amortization	21.5	15.8	29.8	34.3	4.1	105.5
Restructuring and other severance costs (a)	12.1	2.0	3.6		0.1	17.8
Systems/organization establishment expenses (b)	0.3		0.2	1.5		2.0
Acquisition and disposal costs (c)		0.1		1.7	0.2	2.0
Loss on early extinguishment/modification of debt (e)	2.2	3.0	0.9	2.7	3.6	12.4
Asset write-downs and other		0.1	0.1			0.2
Foreign exchange loss (gain) on financing activities, net	2.0	2.1	(0.1)		4.0	8.0
Other (c)	0.1	0.4	0.1	1.5	0.1	2.2
Total Adjusted EBITDA from continuing operations	$ 92.5	$ 78.7	$ 77.1	$ 130.4	$ (16.7)	$ 362.0

(a) See Note 14, Restructuring and Other Severance Costs, for further details.

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

(c) Primarily represents professional fees incurred in connection with exploring strategic options.

(d) Primarily represents the write-off of assets related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility.

(e) For the six months ended June 30, 2013, this represents the write-off of deferred financing costs of $17.6 million in connection with the prepayment of the Titanium Dioxide Pigments facility agreement in March 2013. For the three months ended June 30, 2012, the charge of $2.7 million is comprised of fees of $2.4 million and the write off of deferred financing costs of $0.3 million in connection with the refinancing and repayment of the titanium dioxide pigments term loans in June 2012. For the six months ended June 30, 2012, the charge of $12.4 million relates to redemption premiums of $6.7 million and the write-off of deferred financing costs of $3.0 million in connection with the redemption of the 2014 Notes, and fees of $2.4 million and the write-off of deferred financing costs of $0.3 million in connection with the refinancing and repayment of the titanium dioxide pigments term loans.

4. VARIABLE INTEREST ENTITIES:

See Item 8. Financial Statements and Supplementary Data Note 4, Variable Interest Entities, in the Company s 2012 Annual Report on Form 10-K for a detailed discussion of the Company s evaluation of variable interest entities.

Viance LLC Joint Venture

At June 30, 2013 and December 31, 2012, 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:

		June 30, 2013		December 31, 2012
Cash and cash equivalents	$	5.6	$	4.4
Other current assets		10.3		8.4
Total current assets		15.9		12.8
Other intangible assets, net		55.3		58.6
Other assets		2.3		2.3
Total assets	$	73.5	$	73.7
Total liabilities	$	3.0	$	5.3

Titanium Dioxide Pigments Venture

The Company formed a Titanium Dioxide Pigments venture with Kemira Oyj (Kemira) in September 2008 The Company previously owned 61% of the venture and consolidated it based on the voting interest model given its majority ownership and ability to control decision making. On February 15, 2013, the Company acquired Kemira s 39% interest in the Titanium Dioxide Pigments venture for a purchase price of 97.5 million ($130.3 million based on the rate in effect on the date of purchase). The increase in ownership was accounted for as an equity transaction. As a result, the Company owns 100% of the Titanium Dioxide Pigments business. In conjunction with this venture, there is a power plant that was previously determined to be a variable interest entity (VIE). Subsequent to the purchase of Kemira s 39% interest, the power plant will continue to be a VIE. See Item 8. Financial Statements and Supplementary Data - Note 4, Variable Interest Entities, in the Company s 2012 Annual Report on Form 10-K for further details of the power plant.

Other

As of June 30, 2013 and December 31, 2012, Rockwood s aggregate net investment in ventures, particularly in the Surface Treatment segment, that are considered variable interest entities but are not consolidated as Rockwood is not the primary beneficiary, were $29.8 million and $25.6 million, respectively. These investments are classified as Other assets in the condensed consolidated balance sheets and represent Rockwood s approximate exposure to losses on these investments. Rockwood does not guarantee debt for or have other financial support obligations to these ventures.

5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS:

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, debt instruments and derivatives. Due to their short term maturity, the carrying amount of receivables and payables approximates fair value. Cash equivalents primarily consist of highly liquid investments with original maturities of three months or less at the time of purchase and are recorded at cost, which approximates fair value. The Company has exposure to market risk from changes in interest rates and foreign currency exchange rates. As a result, certain derivative financial instruments may be used when available on a cost-effective basis to hedge the underlying economic exposure. Certain of these instruments qualify as cash flow and net investment hedges upon meeting the requisite criteria, including effectiveness of offsetting hedged exposures. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in earnings as they occur. Derivative financial instruments are not used for trading purposes.

Qualifying Hedges

Cash Flow Hedges

Foreign currency forward contracts are utilized to hedge forecasted transactions for certain foreign currencies in the Company s Surface Treatment segment. These contracts have been designated as foreign currency cash flow hedges and expire in December 2013. The effective portion of changes in fair value for the designated foreign currency hedges is temporarily reported in accumulated other comprehensive income and recognized in earnings when the hedged item affects earnings. The net deferred losses on foreign currency contracts for cash flow accounting are expected to be reclassified into earnings by the end of December 2013.

Effectiveness is assessed at inception of the hedge and on a quarterly basis. These assessments determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of a change in fair value is included in current period earnings. There was no impact of ineffectiveness on earnings during the three and six months ended June 30, 2013 and 2012.

Interest Rate Swaps Not Designated as Hedging Instruments

In June 2012, the Company s Titanium Dioxide Pigments venture entered into a new facility agreement (See Note 9, Long-Term Debt) which required the venture to convert 50% of the term loan balances from variable to fixed interest rates for a period of two years. To comply with this requirement, the Titanium Dioxide Pigments venture entered into interest rate swaps (New Swaps) in July 2012 with an aggregate notional amount of 400.0 million. The New Swaps had a maturity date of September 2014. The Company had not applied hedge accounting for these interest rate swaps and had recorded the mark-to-market adjustment of these derivatives as a component of interest expense in its condensed consolidated statements of operations.

The Company had $911.0 million ($587.3 million of which was subject to a Libor floor of 1.00%) of variable-rate debt outstanding as of June 30, 2013. Including the effect of the interest rate swaps, the Company had $924.1 million ($587.3 million of which was subject to a Libor floor of 1.00%) of variable-rate debt outstanding as of December 31, 2012.

Prior to executing the new facility agreement, the Titanium Dioxide Pigments venture had entered into interest rate swaps to manage its exposure to changes in interest rates related to certain variable-rate debt. These contracts effectively converted all of the obligations under the Titanium Dioxide Pigments venture s term loan facility to fixed rate obligations. In July 2012, these interest rate swaps were terminated and the fair market value of these swaps was transferred into the New Swaps. As a result of the repayment of all borrowings under the facility agreement in March 2013, the Titanium Dioxide Pigments venture terminated the New Swaps, resulting in a payment of 3.0 million ($3.9 million based on the exchange rate in effect on the date of the payment). See Note 9, Long-Term Debt, for further details of the repayment of debt.

The following table provides the fair value and balance sheet location of the Company s derivative instruments as of June 30, 2013 and December 31, 2012:

($ in millions)	Balance Sheet Location	June 30, 2013 Notional		June 30, 2013 Fair Value		December 31, 2012 Notional		December 31, 2012 Fair Value	
Derivatives Designated as Hedging Instruments:									
Foreign exchange contracts	Prepaid expenses and other current assets	$	8.4	$		$		$	
Total derivatives designated as hedging instruments				$				$	
Derivatives Not Designated as Hedging Instruments:									
Interest rate swaps	Accrued expenses and other current liabilities	$		$		$	662.9	$	3.0
	Other liabilities								1.8
Total derivatives not designated as hedging instruments				$				$	4.8
Total derivatives				$				$	4.8

All financial instruments, including derivatives, are subject to counterparty credit risk which is considered as part of the overall fair value measurement. Counterparty credit risk is mitigated by entering into derivative contracts with only major financial institutions of investment grade quality and by limiting the amount of exposure to each financial institution. The Company has considered credit adjustments in its determination of the fair value of its derivative assets and liabilities as of June 30, 2013 and December 31, 2012, based on market participant assumptions. In addition, based on the credit evaluation of each counter-party institution as of June 30, 2013 and December 31, 2012, the Company believes the carrying values to be fully realizable. No counterparty has experienced a significant downgrade in 2013 and the condensed consolidated financial statements would not be materially impacted if any counterparties failed to perform according to the terms of its agreement. Under the terms of the agreements, posting of collateral is not required by any party whether derivatives are in an asset or liability position.

The following table provides the gains and losses reported in Other Comprehensive Income (OCI) within Equity for the three and six months ended June 30, 2013 and 2012:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives and Other Financial Instruments (Effective Portion)			
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Derivatives Designated as Cash Flow Hedges:				
Foreign exchange contracts	$ 0.1	$ (0.4)	$	$ (0.3)
Non-Derivative Debt Designated as Net Investment Hedge:				
Euro-denominated debt	$	$	$	$ (0.3)

The following table provides the gains and losses reported in the condensed consolidated statements of operations for the three and six months ended June 30, 2013 and 2012:

	Amount of Gain or (Loss) Recognized in Income on Derivatives				Location of Gain or (Loss) Recognized in Income on Derivatives
	Three months ended June 30,		Six months ended June 30,		
($ in millions)	2013	2012	2013	2012	
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps	$	$ 0.2	$ 0.9	$ (0.2)	Interest expense, net
Total derivatives	$	$ 0.2	$ 0.9	$ (0.2)	

The Company follows a fair value measurement hierarchy to measure assets and liabilities. As of June 30, 2013 and December 31, 2012, the assets and liabilities measured at fair value on a recurring basis are derivatives, cash equivalents and government debt securities. In addition, the Company measures its pension plan assets at fair value (see Item 8. Financial Statements and Supplementary Data - Note 14, Employee Benefit Plans in the Company s 2012 Annual Report on Form 10-K for further details). The Company s financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy as follows:

Level 1 Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. The fair values of cash equivalents, marketable equity securities and government securities are based on unadjusted quoted market prices from various financial information service providers and securities exchanges.

Level 2 Inputs are directly or indirectly observable, which include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The fair values of derivatives are based on quoted market prices from various banks for similar instruments. The valuation of these instruments reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including forward curves.

Level 3 Inputs are unobservable inputs that are used to measure fair value to the extent observable inputs are not available. The Company does not have any recurring financial assets or liabilities that are recorded on its condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012 that are classified as Level 3 inputs.

In accordance with the fair value hierarchy, the following table provides the fair value of the Company s recurring financial assets and liabilities that are measured at fair value in the condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012:

($ in millions)	As of June 30, 2013 Total	Level 1	Level 2	As of December 31, 2012 Total	Level 1	Level 2
Assets						
Cash equivalents	$ 155.5	$ 155.5	$	$ 1,110.1	$ 1,110.1	$
Government securities	0.3	0.3		0.3	0.3	
Marketable equity securities				2.2	2.2	
Total assets at fair value	$ 155.8	$ 155.8	$	$ 1,112.6	$ 1,112.6	$
Liabilities						
Interest rate swaps	$	$	$	$ 4.8	$	$ 4.8
Total liabilities at fair value	$	$	$	$ 4.8	$	$ 4.8

With regard to assets and liabilities required to be measured at fair value on a non-recurring basis, the Company wrote-off assets in the amount of $4.7 million in the three months ended June 30, 2013 related to the termination of a geothermal energy project at the Silver Peak, NV lithium facility. These assets were written down to zero as it was determined there is no estimated recoverability as these assets will no longer be used. These write-downs are characterized as Level 3 in the fair value hierarchy and were recorded in asset write-downs and other in the condensed consolidated statements of operations.

Note Receivable

The Company has a non-interest bearing note receivable from its former titanium dioxide pigments venture partner that is due in August 2028 with a carrying value of $6.7 million and $6.5 million in the condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012, respectively. The fair value of the note receivable was approximately $13.9 million and $13.8 million at June 30, 2013 and December 31, 2012, respectively, and was categorized as Level 3 in the fair value hierarchy. The fair value was determined based on an internally developed valuation that uses current interest rates in developing a present value of the receivable.

Debt

The carrying value of the Company s term loans under the senior secured credit facilities approximates fair value as they bear interest based on prevailing variable market rates currently available. As a result, the Company categorizes these term loans as Level 2 in the fair value hierarchy.

As of June 30, 2013 and December 31, 2012, the Company estimated the fair value of its unsecured Senior Notes due in 2020 (2020 Notes) was $1,261.7 million and $1,300.8 million, respectively, based on quoted market values in active markets from financial service providers. The Company s principal carrying amount of the 2020 Notes was $1,250.0 million at June 30, 2013 and December 31, 2012. The Company categorizes these 2020 Notes as Level 1 in the fair value hierarchy.

6. INVENTORIES:

Inventories are comprised of the following:

($ in millions)		June 30, 2013		December 31, 2012
Raw materials	$	225.1	$	233.0
Work-in-process		83.7		82.1
Finished goods		370.0		415.7
Packaging materials		7.6		7.0
Total	$	686.4	$	737.8

7. GOODWILL:

Below are goodwill balances and activity by segment:

($ in millions)	Lithium	Surface Treatment	Performance Additives	Titanium Dioxide Pigments	Corporate and other	Total
Gross balance, December 31, 2012	$ 263.7	$ 342.1	$ 456.6	$ 247.7	$ 17.9	$ 1,328.0
Accumulated impairment			(456.6)	(247.7)	(13.2)	(717.5)
Net balance, December 31, 2012	263.7	342.1			4.7	610.5
Acquisitions		1.1				1.1
Foreign exchange	(3.5)	(4.1)			(0.1)	(7.7)
Net balance, June 30, 2013	260.2	339.1			4.6	603.9
Accumulated impairment			456.6	247.7	13.2	717.5
Gross balance, June 30, 2013	$ 260.2	$ 339.1	$ 456.6	$ 247.7	$ 17.8	$ 1,321.4

8. OTHER INTANGIBLE ASSETS, NET:

Other intangible assets, net consist of:

	As of June 30, 2013			As of December 31, 2012		
($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents and other intellectual property	$ 263.8	$ (143.8)	$ 120.0	$ 265.2	$ (136.3)	$ 128.8
Trade names and trademarks	84.7	(35.0)	49.7	85.7	(33.3)	52.5
Customer relationships	271.6	(152.2)	119.4	272.9	(143.4)	129.6
Supply agreements	54.5	(28.4)	26.1	57.4	(28.8)	28.6
Other	46.8	(34.5)	12.3	47.8	(33.5)	14.2
Total	$ 721.4	$ (393.9)	$ 327.5	$ 729.0	$ (375.3)	$ 353.7

Amortization of other intangible assets was $13.7 million and $13.6 million in each of the three months ended June 30, 2013 and 2012, respectively, and $27.4 million and $27.3 million, respectively, for the six months ended June 30, 2013 and 2012, respectively.

Estimated amortization expense for each of the next five fiscal years is as follows:

($ in millions) Year ending	Amortization Expense
2013	$ 54.4
2014	47.8

2015	41.8
2016	38.0
2017	36.8

9. LONG-TERM DEBT:

Long-term debt and loans payable are summarized as follows:

($ and in millions)	June 30, 2013	December 31, 2012
Senior secured credit facilities:		
Term Loan A	$ 323.7	$ 336.9
Term Loan B	587.3	587.3
2020 Unsecured senior notes	1,250.0	1,250.0
Titanium Dioxide Pigments venture term loans		514.5
Capitalized lease obligations	31.0	32.8
Other loans	28.7	28.7
	2,220.7	2,750.2
Less current maturities	(42.8)	(553.1)
	$ 2,177.9	$ 2,197.1

In March 2013, the Company prepaid all of its outstanding borrowings under its Titanium Dioxide Pigments facility agreement. The aggregate amount prepaid was 394.5 million ($512.4 million), consisting of 190.0 million ($246.8 million) of term loan A, 200.0 million ($259.8 million) of term loan B and a 4.5 million ($5.8 million) revolving credit facility. The U.S. dollar amounts above were all based on the exchange rate in effect on the date of payment.

For further details of the terms of the Company s long-term debt, see Item 8. Financial Statements and Supplementary Data - Note 10, Long-Term Debt in the Company s 2012 Annual Report on Form 10-K.

10. INCOME TAXES:

The effective tax rate on income from continuing operations was 18.1% and 24.3% for the three and six months ended June 30, 2013, respectively. The effective tax rate for both periods is lower than the U.S. statutory rate of 35% primarily due to the reversal of a U.S. tax reserve and earnings generated in foreign jurisdictions with lower statutory rates.

The effective tax rate on income from continuing operations was (130.0)% and (53.8)% for the three and six months ended June 30, 2012, respectively. Excluding the impact of the $139.0 million valuation allowance reversal, the effective tax rate on income from continuing operations was 24.3% and 25.0% for the three and six months ended June 30, 2012, respectively. The effective tax rate for each period is lower than the U.S. statutory rate of 35.0% primarily due to the favorable impact of certain current year domestic income that was not tax effected due to a valuation allowance reversal and a beneficial foreign earnings mix.

The following table reflects the activity in the Company s worldwide valuation allowance attributable to deferred tax assets:

($ in millions)		Valuation Allowance
Balance as of December 31, 2012	$	30.5
U.S. valuation allowance - State		1.7
Foreign valuation allowance		0.5
Balance as of June 30, 2013	$	32.7

Unrecognized tax benefits at June 30, 2013 were $32.3 million, all of which, if recognized, would impact the effective tax rate. The Company had accrued $9.7 million for interest and penalties as of June 30, 2013. The Company recognizes interest and penalties related to unrecognized tax benefits in its income tax provision.

The Company is currently under audit in certain jurisdictions and during the next twelve months, it is reasonably possible that resolution of these audits could result in a benefit of up to $3.6 million.

11. STOCK-BASED COMPENSATION:

In December 2012, the Company awarded 309,287 of market-based restricted stock unit awards to its management and key employees which will vest on January 1, 2016 as long as the employee continues to be employed by the Company on this date and upon the achievement of certain performance targets approved by the Compensation Committee. In January 2013, the performance targets that formed the basis for vesting of these restricted stock units were set. As a result, the Company recognized compensation cost beginning in January 2013. A portion of the share units vest based on the percentage change in the price of the Company s common stock over the award period January 1, 2013 to December 31, 2015. The remaining portion vest based upon the Company s total shareholder return as compared to the total shareholder return for the Dow Jones U.S. Chemical Index for the period January 1, 2013 to December 31, 2015.

All restricted stock units contain a provision in which the units shall immediately vest and become converted into the right to receive a cash payment after a change in control as defined in the award agreement. As the provisions for redemption are outside the control of the Company, the fair value of these units as of June 30, 2013 and December 31, 2012 has been recorded as mezzanine equity (outside of permanent equity) in the condensed consolidated balance sheets.

The aggregate compensation cost for restricted stock units and Board of Director stock grants recorded under the stock-based compensation plans caused income from continuing operations before taxes to decrease by $3.3 million and $2.9 million for the three months ended June 30, 2013 and 2012, respectively, and $6.6 million and $5.8 million for the six months ended June 30, 2013 and 2012, respectively. The total tax benefit recognized related to stock awards was $1.7 million and $0.4 million for the three months ended June 30, 2013 and 2012, respectively, and $2.1 million and $0.8 million for the six months ended June 30, 2013 and 2012, respectively.

See Item 8. Financial Statements and Supplementary Data - Note 13, Stock-Based Compensation, in the Company s 2012 Annual Report on Form 10-K for further details of the Company s stock-based compensation plans.

12. PENSION AND POSTRETIREMENT LIABILITIES:

The following table represents the net periodic benefit cost of defined benefit pension plans:

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2013**	**2012**	**2013**	**2012**
Service cost	$ 2.3	$ 2.2	$ 5.3	$ 4.4
Interest cost	6.2	7.0	12.4	14.1
Expected return on assets	(3.5)	(3.7)	(7.0)	(7.5)
Amortization of actuarial losses	3.9	1.6	7.9	3.3
Amortization of prior service cost	0.2	0.2	0.4	0.4
Total pension cost	$ 9.1	$ 7.3	$ 19.0	$ 14.7

Contributions to defined benefit pension plans, including benefit payments paid directly to plan participants, are expected to approximate $22.4 million during 2013, of which $12.1 million was contributed in the six months ended June 30, 2013.

The Company also sponsors and participates in various defined contribution and multi-employer plans. The expense for the defined contribution plans was $3.1 million and $2.9 million for the three months ended June 30, 2013 and 2012, respectively, and $6.1 million and $6.4 million for the six months ended June 30, 2013 and 2012, respectively. The expense for the multi-employer plans was $1.1 million and $0.7 million for the three months ended June 30, 2013 and 2012, respectively, and $2.2 million and $1.4 million for the six months ended June 30, 2013 and 2012, respectively.

13. EARNINGS PER COMMON SHARE:

Basic and diluted earnings per common share (EPS) were computed using the following common share data:

($ in millions, except per share amounts; shares in thousands)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
EPS Numerator:				
Amounts attributable to Rockwood Holdings, Inc.:				
Income from continuing operations	$ 15.2	$ 198.4	$ 12.4	$ 248.7
Income from discontinued operations	17.1	26.5	38.8	52.0
Net income	$ 32.3	$ 224.9	$ 51.2	$ 300.7
EPS Denominator:				
Basic weighted average number of common shares outstanding	77,089	77,600	77,806	77,492
Effect of dilutive stock options and other incentives	1,657	2,411	1,655	2,502
Diluted weighted average number of common shares outstanding and common stock equivalents	78,746	80,011	79,461	79,994
Basic earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	$ 0.20	$ 2.56	$ 0.16	$ 3.21
Earnings from discontinued operations	0.22	0.34	0.50	0.67
Basic earnings per share	$ 0.42	$ 2.90	$ 0.66	$ 3.88
Diluted earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	$ 0.19	$ 2.48	$ 0.16	$ 3.11
Earnings from discontinued operations	0.22	0.33	0.48	0.65
Diluted earnings per share	$ 0.41	$ 2.81	$ 0.64	$ 3.76

For the three and six months ended June 30, 2013 and 2012, there were no outstanding shares that would have had an anti-dilutive effect.

14. RESTRUCTURING AND OTHER SEVERANCE COSTS:

The Company records restructuring liabilities that represent charges incurred in connection with consolidations and cessations of certain of its operations, including operations from acquisitions, as well as headcount reduction programs. These charges consist primarily of severance and facility/entity closure costs. Severance charges are based on various factors including the employee s length of service, contract provisions, salary levels and local governmental legislation. At the time a related charge is recorded, the Company calculates its best estimate based upon detailed analysis. Although significant changes are not expected, actual costs may differ from these estimates.

The following table provides the restructuring and other severance costs for the three and six months ended June 30, 2013 and 2012:

($ in millions)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Severance/Relocation	$ 1.3	$ 1.1	$ 2.6	$ 1.7
Facility/entity closure and other	0.8	1.4	5.2	2.7
Asset write-downs		0.2		11.5
Restructuring charge	2.1	2.7	7.8	15.9
Other severance costs	0.6	0.9	1.9	1.9
Total	$ 2.7	$ 3.6	$ 9.7	$ 17.8

For the three and six months ended June 30, 2013, the restructuring charges primarily relate to organizational changes in the Surface Treatment and Performance Additives segments, and the closure of a lithium manufacturing facility in the U.S.

All restructuring actions still in progress as of June 30, 2013 are expected to be substantially complete within the next twelve months, except for severance and facility closure costs in connection with the consolidation of the North American Surface Treatment and

Color Pigments and Services businesses. However, payouts of certain liabilities resulting from these actions will take place over several years. Selected information for outstanding liabilities from recent restructuring actions is as follows:

($ in millions)	Severance/ Relocation	Facility/Entity Closure and Other	Total
Liability balance, December 31, 2012	$ 9.5	$ 1.9	$ 11.4
Restructuring charge in 2013	2.6	5.2	7.8
Utilized	(4.9)	(3.4)	(8.3)
Foreign exchange and other	(0.4)	0.3	(0.1)
Liability balance, June 30, 2013	$ 6.8	$ 4.0	$ 10.8

The total charges for open restructuring actions and the future costs for those actions are summarized below:

($ in millions)	Lithium	Surface Treatment	Performance Additives	Total
Severance/Relocation				
Total charges	$ 4.6	$ 4.8	$ 4.0	$ 13.4
Incurred to date	(4.4)	(4.6)	(3.2)	(12.2)
Expected future costs	$ 0.2	$ 0.2	$ 0.8	$ 1.2
Facility/Entity Closure				
Total charges (a)	$ 31.8	$ 7.4	$ 6.8	$ 46.0
Incurred to date (a)	(30.2)	(5.7)	(2.5)	(38.4)
Expected future costs	$ 1.6	$ 1.7	$ 4.3	$ 7.6

(a) Includes $10.3 million related to write-off of a trade name in the Lithium segment in connection with the reorganization of the Specialty Chemicals segment into two reportable segments and a write-down of $12.0 million of machinery and equipment related to the closure of a Lithium manufacturing facility in the U.S.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Changes in accumulated other comprehensive loss are as follows:

($ in millions)	Pension related adjustments, net of tax	Foreign currency translation	Intercompany foreign currency loans	Net investment hedge, net of tax	Total accumulated other comprehensive loss
Balance at December 31, 2012	$ (146.0)	$ 204.2	$ 117.4	$ (189.9)	$ (14.3)
Other comprehensive loss before reclassifications	4.3	(31.0)	(10.8)		(37.5)
Amounts reclassified from accumulated other comprehensive loss to net income	6.3				6.3
Amounts reclassified from noncontrolling interest to accumulated other comprehensive	(27.6)				(27.6)

loss (a)										
Balance at June 30, 2013	$	(163.0)	$	173.2	$	106.6	$	(189.9)	$	(73.1)

(a) This represents the amount of accumulated other comprehensive loss reclassified as a result of the Company s purchase of Kemira s 39% interest in the Titanium Dioxide Pigment s venture in February 2013. See Note 4, Variable Interest Entities, for further details.

The amounts reclassified from accumulated other comprehensive loss into net income are as follows:

Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss Three months ended June 30, 2013	Six months ended June 30, 2013
Pension related adjustments:		
Actuarial losses (a)	$ (4.1)	$ (8.3)
Prior service costs (a)	(0.2)	(0.4)
	(4.3)	(8.7)
Income tax provision	1.2	2.4
Total reclassifications for the period	$ (3.1)	$ (6.3)

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension costs that are recorded in costs of products sold and selling, general and administrative expenses in the condensed consolidated statements of operations. In addition, these accumulated other comprehensive income components include the effect of actuarial losses and prior service costs from discontinued operations.

16. COMMITMENTS AND CONTINGENCIES:

Legal Proceedings The Company is involved in various legal proceedings, including commercial, intellectual property, product liability, regulatory and environmental matters of a nature considered normal for its business. The Company accrues for amounts related to these matters if it is probable that a liability has been incurred and an amount can be reasonably estimated. The Company discloses such matters when there is at least a reasonable possibility that a material loss may have been incurred. However, the Company cannot predict the outcome of any litigation or the potential for future litigation.

Former Glass Sealants Business

A subsidiary in the Surface Treatment segment formerly manufactured and distributed sealants for insulating glass, which was sold in 2003. This subsidiary has been named as a defendant in several lawsuits in Germany and the Netherlands, which were initiated prior to and after the sale of the business, relating to allegedly defective manufacturing of those products. The court in the Dutch litigation concluded in March 2012 that our subsidiary breached certain implied product warranties and is responsible for certain alleged damages to be determined. The Company s subsidiary has appealed this decision. In general, this subsidiary may be required to compensate damage claims asserted by the various plaintiffs in these actions. Although the Company expects its subsidiary to have coverage under its product liability insurance policies should damages ultimately be awarded or agreed to, in such an event, its insurance may not cover such damages and, if not, its subsidiary may not have sufficient cash flow to pay them. The Company estimates that the possible range of loss from those damage claims, net of expected insurance recoveries, is from 1.2 million ($1.6 million) to 4.2 million ($5.5 million) as of June 30, 2013. However, the Company does not believe that the resolution of these matters will have a material effect on its financial condition, results of operations or cash flows.

Migratory Bird Matter

In August 2011, the U.S. Department of Justice Environment and Natural Resources Division (DOJ), along with the U.S. Fish and Wildlife Service (FWS) and the Nevada Department of Wildlife (NDOW) commenced an investigation relating to alleged migratory bird deaths at the Company s subsidiary in Silver Peak, Nevada in violation of the Migratory Bird Treaty Act of 1918. The Company s subsidiary is working with the DOJ, FWS and NDOW to address any migratory bird issues. To date, no proceedings have been initiated and no fines have been levied. The Company does not expect the resolution of this matter to have a material impact on its financial condition, results of operations or cash flows.

Real Estate Transfer Tax Matter

In December 2009, the Company received a tax assessment from German tax authorities, claiming that the Company s acquisition of Dynamit Nobel in 2004 triggered a real estate transfer tax obligation. The Company appealed the assessment to the German tax authorities on the grounds that it had already paid the relevant real estate transfer tax and that the further assessment would constitute duplicate taxation of the real estate transfers. However, in October 2011, the German tax authorities affirmed their position with regard to the assessment. Consequently, the Company appealed this assessment with the fiscal court and intends to vigorously defend its position in this matter. The Company estimates that the possible range of loss from these claims as of June 30, 2013 is from 0.0 million to 5.1 million ($6.6 million). The Company does not expect this matter to have a material impact on its financial condition, results of operations or cash flows.

Inspector General Subpoena

In February 2010, a subsidiary of the Company received a subpoena from the Inspector General of the Department of Defense (DOD) seeking information related to a product in the Timber Treatment Chemicals business in the Performance Additives segment. In June 2012, the United States government filed a notice of election indicating that it will not intervene at this time and the court ordered the complaint to be unsealed. The complaint was served on the Company in November 2012 by Osmose, Inc. (Osmose), a competitor of our Timber Treatment business, and alleges that our subsidiary misrepresented properties of certain fire retardants in relation to a military specification for such products. In March 2013, Osmose filed an amended complaint. In May 2013, the Company s subsidiary filed a motion to dismiss the action. The Company cannot estimate the loss or possible range of loss, if any, in connection with this matter and intends to vigorously defend this matter.

Other Matters

Although the Company expects to continue to pay legal fees in connection with the above matters and other legal actions such as chromated copper arsenate and other product liability matters, based on currently available facts, the Company does not believe that any other individual action will have a material effect on its financial condition, results of operations or cash flows.

Reserves in connection with known product liability matters, net of expected insurance recoveries, do not individually exceed $1.7 million and in the aggregate equal $2.7 million as of June 30, 2013. The Company s reserve estimates are based on available facts, including damage claims and input from its internal and external legal counsel, past experience, and, in some instances where defense costs are being paid by its insurer, known or expected insurance recoveries. The Company is unable to estimate the amount or range of any potential incremental charges should facts and circumstances change and may in the future revise its estimates based on new information becoming available. Further, the Company cannot predict the outcome of any litigation or the potential for future litigation.

Indemnity Matters The Company is indemnified by third parties in connection with certain matters related to acquired businesses. Although the Company has no reason to believe that the financial condition of those parties who may have indemnification obligations to the Company is other than sound, in the event the Company seeks indemnity under any of these agreements or through other means, there can be no assurance that any party who may have obligations to indemnify the Company will adhere to their obligations and the Company may have to resort to legal action to enforce its rights under the indemnities. In cases where the Company s indemnification claims to such third parties are uncontested, the Company expects to realize recoveries within the short term.

The Company may be subject to indemnity claims relating to properties or businesses it divested. For example, the Company has agreed to indemnify the buyer of its former plastic compounding business for certain known and unknown environmental actions which may arise in the future that relate to the period prior to the closing.

The Company s pension liability includes defined benefit obligations to employees of a previously divested company which cannot legally be transferred to the owners under local law. The owner of the business had agreed to indemnify the Company for these obligations, however, such company has filed for bankruptcy. Accordingly, as of June 30, 2013, the Company has recorded a reserve of 4.9 million ($6.4 million) against its related receivable of 5.4 million ($7.0 million) due from the current owner. The Company cannot predict the ultimate outcome of this matter.

In the opinion of management, and based upon information currently available, the ultimate resolution of any indemnification obligations owed to the Company or by the Company is not expected to have a material effect on the Company s financial condition, results of operations or cash flows.

Safety, Health and Environmental Matters

For further details of the Company s Safety, Health and Management Systems, SHE Capital Expenditures, and Regulatory Developments, see Item 8. Financial Statements and Supplementary Data - Note 19, Commitments and Contingencies in the Company s 2012 Annual Report on Form 10-K.

Environmental Reserves

Environmental laws have a significant effect on the nature and scope of any clean-up of contamination at current and former operating facilities, the costs of transportation and storage of chemicals and finished products and the costs of the storage and disposal of wastes.

In addition, Superfund statutes in the United States as well as statutes in other jurisdictions impose strict, joint and several liability for clean-up costs on the entities that generated waste and/or arranged for its disposal at contaminated third party sites, as well as the past and present owners and operators of contaminated sites. All responsible parties may be required to bear some or all clean-up costs regardless of fault, legality of the original disposal or ownership of the disposal site.

The following table provides a list of the Company s present and former facilities with environmental contamination or reclamation obligations for which the Company has reserved for at June 30, 2013:

Country	Location	(a)	(b)	(c)	(d)	(e)
Brazil	Diadema			X		X
Chile	La Negra				X	
	Salar de Atacama				X	
China	Shenzhen			X		
Finland	Kipsikorpi				X	
France	Sens	X				
Germany	Duisburg	X			X	
	Empelde	X				X
	Hainhausen	X				
	Liebenau			X		
	Schwarzheide				X	
	Stadeln	X	X			
	Troisdorf	X	X	X		
	Uerdingen	X				
Italy	Turin	X				
The Netherlands	Oss	X				
United Kingdom	Birtley			X		
United States	Beltsville, MD	X				
	East St. Louis, IL			X		
	Easton, PA			X		
	Harrisburg, NC	X		X		
	Kings Mountain, NC				X	
	Pineville, NC					X
	Silver Peak, NV				X	
	Sunbright, VA	X				X
	Valdosta, GA	X				

(a) The Company is currently operating groundwater monitoring and/or remediation systems at these locations.

(b) The Company is currently operating groundwater monitoring and/or remediation systems at these locations for which prior owners or insurers have assumed all or most of the responsibility.

(c) The Company is currently conducting investigations into additional possible soil and/or groundwater contamination at these locations.

(d) The Company has land restoration obligations generally relating to landfill activities or surface mining at these locations.

(e) The Company is responsible for liabilities related to environmental matters at these formerly owned or closed facilities.

The Company is also responsible for environmental matters at some of its former off-site disposal locations owned by third parties. These sites are considered Superfund sites as defined by the EPA or state regulatory authority. The Company is a potentially responsible party or *de minimis* participant at a Superfund location in South Gate, CA.

Although the Company cannot provide assurances in this regard, the Company does not believe that these issues will have a material effect on its financial condition, results of operations or cash flows. Nonetheless, the discovery of contamination arising from present or historical industrial operations at some of the Company s or its predecessor s former and present properties and/or at sites where the Company and its predecessor disposed wastes could expose the Company to cleanup obligations and other damages in the future.

The Company has established financial reserves relating to anticipated environmental cleanup obligations, site reclamation and remediation and closure costs, which are reviewed at least quarterly based on currently available information. Liabilities are recorded when potential liabilities are either known or believed to be probable and can be reasonably estimated. In the event that the Company establishes a financial reserve in connection with site remediation costs, the Company records a reserve for the estimated cost of the remediation, even though the costs of the remediation will likely be spread out over many years. The Company does not include unasserted claims in its reserves.

The Company s liability estimates are based upon available facts, existing technology, indemnities from third parties, past experience and, in some instances, insurance recoveries where the remediation costs are being paid by its insurers, and are generated by several means, including State-mandated schedules, environmental consultants and internal experts, depending on the circumstances. On a consolidated basis, the Company has accrued \$52.2 million and \$52.7 million for environmental liabilities as of June 30, 2013 and December 31, 2012, respectively, most of which were classified as other non-current liabilities in the condensed consolidated balance sheets.