Rockwood Holdings, Inc.
Form 10-Q
May 08, 2014

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 March 31, 2014

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 May 5, 2014, there were 72,558,082 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 March 31, 2014		Three months ended March 31, 2013	
Net sales	$	354.5	$	337.1
Cost of products sold		192.6		184.0
Gross profit		161.9		153.1
Selling, general and administrative expenses		108.6		101.1
Restructuring and other severance costs		4.1		6.3
Operating income		49.2		45.7
Other expenses, net:				
Interest expense, net		(14.2)		(23.4)
Foreign exchange loss on financing activities, net		(0.6)		(15.1)
Other, net		0.1		0.1
Other expenses, net		(14.7)		(38.4)
Income from continuing operations before taxes		34.5		7.3
Income tax provision		12.8		0.8
Income from continuing operations		21.7		6.5
(Loss) income from discontinued operations, net of tax		(43.4)		9.3
Gain on sale of discontinued operations, net of tax		2.0		
Net (loss) income		(19.7)		15.8
Net (income) loss attributable to noncontrolling interest - discontinued operations		(1.1)		2.0
Net (loss) income attributable to Rockwood Holdings, Inc. stockholders	$	(20.8)	$	17.8
Amounts attributable to Rockwood Holdings, Inc.:				
Income from continuing operations	$	21.7	$	6.5
(Loss) income from discontinued operations		(42.5)		11.3
Net (loss) income	$	(20.8)	$	17.8
Basic earnings per share attributable to Rockwood Holdings, Inc. stockholders:				
Earnings from continuing operations	$	0.29	$	0.08
(Loss) earnings from discontinued operations		(0.57)		0.15
Basic (loss) earnings per share	$	(0.28)	$	0.23
Diluted earnings per share attributable to Rockwood Holdings, Inc. stockholders:				
Earnings from continuing operations	$	0.29	$	0.08
(Loss) earnings from discontinued operations		(0.57)		0.14
Diluted (loss) earnings per share	$	(0.28)	$	0.22
Dividends declared per share of common stock	$	0.45	$	0.40

Weighted average number of basic shares outstanding	74,015	78,530
Weighted average number of diluted shares outstanding	74,878	80,088

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 March 31, 2014	Three months ended March 31, 2013
Net (loss) income	$ (19.7)	$ 15.8
Other comprehensive income (loss):		
Pension related adjustments, net of tax	1.5	8.4
Foreign currency translation	3.0	(30.1)
Intercompany foreign currency loans	1.1	(22.0)
Foreign exchange contracts and other, net of tax		(0.1)
Other comprehensive income (loss)	5.6	(43.8)
Comprehensive loss	(14.1)	(28.0)
Comprehensive (income) loss attributable to noncontrolling interest	(1.1)	0.7
Comprehensive loss attributable to Rockwood Holdings, Inc. stockholders	$ (15.2)	$ (27.3)

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)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,460.6	$ 1,522.8
Accounts receivable, net	251.4	228.1
Inventories	228.1	228.2
Deferred income taxes	49.7	45.4
Prepaid expenses and other current assets	53.9	90.1
Assets of discontinued operations	1,566.4	1,549.1
Total current assets	3,610.1	3,663.7
Property, plant and equipment, net	858.7	842.8
Goodwill	661.7	659.6
Other intangible assets, net	122.6	127.9
Deferred financing costs, net	17.2	17.9
Deferred income taxes	148.8	156.5
Other assets	65.3	63.9
Total assets	$ 5,484.4	$ 5,532.3
LIABILITIES		
Current liabilities:		
Accounts payable	$ 81.0	$ 92.2
Income taxes payable	12.9	13.5
Accrued compensation	72.9	70.0
Accrued expenses and other current liabilities	104.2	89.0
Deferred income taxes	2.5	2.3
Long-term debt, current portion	10.3	10.3
Liabilities of discontinued operations	495.7	486.5
Total current liabilities	779.5	763.8
Long-term debt	1,284.4	1,285.1
Pension and related liabilities	267.8	268.9
Deferred income taxes	36.9	38.4
Other liabilities	102.9	102.7
Total liabilities	2,471.5	2,458.9
Commitments and Contingencies - See Note 16		
Restricted stock units	16.1	24.2
EQUITY		
Rockwood Holdings, Inc. stockholders equity:		
Common stock ($0.01 par value, 400,000 shares authorized, 80,443 shares issued and 74,019 shares outstanding at March 31, 2014; 400,000 shares authorized, 80,219 shares issued and 73,892 shares outstanding at December 31, 2013)	0.8	0.8
Paid-in capital	1,273.7	1,269.8
Accumulated other comprehensive income	109.3	103.7
Retained earnings	1,868.6	1,923.1
Treasury stock, at cost (6,424 shares and 6,327 shares, respectively)	(408.6)	(401.3)
Total Rockwood Holdings, Inc. stockholders equity	2,843.8	2,896.1

Noncontrolling interest		153.0		153.1
Total equity		2,996.8		3,049.2
Total liabilities and equity	$	5,484.4	$	5,532.3

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (19.7)	$ 15.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss (income) from discontinued operations, net of tax	43.4	(9.3)
Gain on sale of discontinued operations, net of tax	(2.0)	
Depreciation and amortization	25.2	22.4
Deferred financing costs amortization	0.7	1.3
Foreign exchange loss on financing activities, net	0.6	15.1
Stock-based compensation	2.7	3.3
Deferred income taxes	4.0	(4.4)
Asset write-downs and other	3.0	0.1
Excess tax benefits from stock-based payment arrangements	(1.0)	(1.4)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(22.7)	(21.1)
Inventories	0.2	(14.9)
Prepaid expenses and other assets	(1.1)	(2.3)
Accounts payable	(8.7)	4.1
Income taxes payable	(1.4)	(5.2)
Accrued expenses and other liabilities	5.1	31.4
Net cash provided by operating activities of continuing operations	28.3	34.9
Net cash (used in) provided by operating activities of discontinued operations	(7.8)	15.0
Net cash provided by operating activities	20.5	49.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(40.3)	(39.2)
Proceeds on sale of assets	0.4	0.1
Net cash used in investing activities of continuing operations	(39.9)	(39.1)
Net cash used in investing activities of discontinued operations	(1.2)	(29.0)
Net cash used in investing activities	(41.1)	(68.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net of fees	1.4	4.7
Excess tax benefits from stock-based payment arrangements	1.0	1.4
Payments of long-term debt	(0.7)	(13.9)
Proceeds from long term debt		0.5
Purchase of noncontrolling interest		(130.3)
Dividend distributions to stockholders	(33.3)	(31.1)
Stock repurchases	(7.3)	(89.4)
Net cash used in financing activities of continuing operations	(38.9)	(258.1)
Net cash used in financing activities of discontinued operations	(0.9)	(507.9)
Net cash used in financing activities	(39.8)	(766.0)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	1.7
Net decrease in cash and cash equivalents	(61.1)	(782.5)
Less net increase in cash and cash equivalents from discontinued operations	1.1	0.6
Decrease in cash and cash equivalents from continuing operations	(62.2)	(783.1)
Cash and cash equivalents, beginning of period	1,522.8	1,266.1

Cash and cash equivalents, end of period	$	1,460.6	$	483.0
Supplemental disclosures of cash flow information:				
Interest paid	$	0.5	$	8.2
Income taxes paid, net of refunds		10.2		10.4
Non-cash investing activities:				
Acquisition of capital equipment included in accounts payable		15.9		5.3

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, 2014	$ 3,049.2	$ 0.8	$ 1,269.8	$ 103.7	$ 1,923.1	$ (401.3)	$ 153.1
Issuance of common stock	1.4		1.4				
Deferred compensation	2.1		2.1				
Stock repurchases	(7.3)					(7.3)	
Dividend paid to stockholders ($0.45 per share)	(33.3)		0.4		(33.7)		
Distributions to noncontrolling shareholders	(1.2)						(1.2)
Other comprehensive income, net of tax	5.6			5.6			
Net (loss) income	(19.7)				(20.8)		1.1
Balance, March 31, 2014	$ 2,996.8	$ 0.8	$ 1,273.7	$ 109.3	$ 1,868.6	$ (408.6)	$ 153.0
Balance, January 1, 2013	$ 1,875.7	$ 0.8	$ 1,243.1	$ (12.6)	$ 392.7	$ (1.4)	$ 253.1
Issuance of common stock	4.7		4.7				
Deferred compensation	0.9		0.9				
Stock repurchases	(89.4)					(89.4)	
Dividend paid to stockholders ($0.40 per share)	(31.1)		0.5		(31.6)		
Distributions to noncontrolling shareholders	(0.1)						(0.1)
Purchase of noncontrolling interest	(130.3)		(6.9)	(27.6)			(95.8)
Other comprehensive (loss) income, net of tax	(43.8)			(45.1)			1.3
Net income (loss)	15.8				17.8		(2.0)
Balance, March 31, 2013	$ 1,602.4	$ 0.8	$ 1,242.3	$ (85.3)	$ 378.9	$ (90.8)	$ 156.5

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 that are, in the opinion of management, necessary for a fair presentation of the financial position as of March 31, 2014 and December 31, 2013, and the results of operations, comprehensive income, cash flows and changes in stockholders equity for the three months ended March 31, 2014 and 2013. 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, 2013 included in the Company s 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.

During 2013, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and entered into a definitive agreement to sell its Titanium Dioxide Pigments, Color Pigments and Services, Timber Treatment Chemicals, Rubber/Thermoplastics Compounding and Water Chemistry businesses (TiO2 Pigments and Other Businesses). As of March 31, 2014, all of these transactions met the criteria for being reported as discontinued operations. As a result, the Company s condensed consolidated financial statements have been reclassified to reflect discontinued operations for these transactions for all periods presented. See Note 2, Discontinued Operations, for further details of these transactions.

Noncontrolling interest represents the total of the noncontrolling party s interest in certain investments (principally the former 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 Oyj s (Kemira) 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).

Unless otherwise noted, all balance sheet-related items which are denominated in Euros are translated at the March 31, 2014 exchange rate of 1.00 = $1.3769. For the three months ended March 31, 2014 and 2013, the average rate of exchange of the Euro to the U.S. dollar is $1.3706 and $1.3199, respectively.

Foreign Currency Translation The functional currency of each of the Company s foreign subsidiaries is primarily the respective local currency. Balance sheet accounts of the foreign operations are translated into U.S. dollars at period-end exchange rates and income and expense accounts are translated at average exchange rates during the period. Translation gains and losses related to net assets located outside the U.S. are shown as a component of accumulated other comprehensive income. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity s functional currency), including intercompany financing arrangements for which settlement is planned or anticipated, are included in determining net income for the period in which exchange rates change. Gains or losses on certain intercompany loans that are of a long-term investment nature for which settlement is not planned or anticipated in the foreseeable future are reported and accumulated in the same manner as translation adjustments. These loans are all related to intercompany debt arrangements. As of March 31, 2014, intercompany debt arrangements deemed to be of a long-term investment nature for which settlement is not planned or anticipated in the foreseeable future equaled 502.5 million ($691.9 million). In addition, gains or losses on Euro-denominated debt that is designated as a net investment hedge of the Company s Euro-denominated investments are reported and accumulated in the same manner as translation adjustments.

Recently Issued Accounting Standards:

In April 2014, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU) that changes the criteria for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift that has (or will have) a major effect on an entity s operations and financial results should be presented as discontinued operations. Examples of these include disposals of a major geographic area, a major line of business or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations, as well as requiring disclosure of pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This ASU is effective for the Company in its first quarter beginning January 1, 2015 and is not expected to have a material impact on the Company s consolidated financial statements.

2. DISCONTINUED OPERATIONS:

In August 2013, the Company completed the sale of its Advanced Ceramics segment for cash proceeds of $2.0 billion and a gain on sale of $1,166.4 million. In October 2013, the Company completed the sale of its Clay-based Additives business, which was part of the Performance Additives segment, for cash proceeds of $626.6 million and a gain on sale of $506.1 million. In September 2013, the

Company entered into a definitive agreement to sell its TiO2 Pigments and Other Businesses with a current purchase price of $1.275 billion, including the assumption of $225 million in pension obligations, and subject to other adjustments. This transaction is expected to close during the third quarter of 2014, subject to the receipt of regulatory approval by the European Commission. The transaction is currently in phase II review by the European Commission. As of March 31, 2014, all of these transactions met the criteria for being reported as discontinued operations. The Company s condensed consolidated financial statements have been reclassified to reflect discontinued operations for these transactions for all periods presented.

In 2013, the Company recorded a charge of $98.0 million related to an expected loss on sale of the TiO2 Pigments and Other Businesses. In the first quarter of 2014, the Company recorded an additional charge of $73.4 million related to the expected loss on the sale, in part as a result of a $50 million contribution in the form of a purchase price reduction to assist the purchaser in proposing a remedy to the European Commission competition authorities. The expected loss on sale represents the difference between the carrying value of these businesses and the expected proceeds. This carrying value includes the assumed recognition of actuarial (pension-related) losses and unrealized foreign exchange losses currently recorded in accumulated other comprehensive income within stockholders equity, which must be recognized upon completion of the sale. The fair value of the assets to be sold is categorized as Level 3 in the fair value hierarchy, as the fair value was determined based on expected sale proceeds (see Note 5, Financial Instruments and Fair Value Measurements, for a description of the fair value levels).

Results of the discontinued operations of the Advanced Ceramics segment, the Clay-based Additives business and the TiO2 Pigments and Other Businesses included in the condensed consolidated statements of operations for the three months ended March 31, 2014 and 2013 are as follows:

($ in millions)	**Advanced Ceramics**	**Clay-based Additives**	**TiO2 Pigments and Other**	**Total**
Three months ended March 31, 2014				
Net sales	$	$	$ 400.5	$ 400.5
Loss before taxes			(33.7)	(33.7)
Three months ended March 31, 2013				
Net sales	$ 142.9	$ 48.0	$ 406.6	$ 597.5
Income (loss) before taxes	29.1	12.7	(25.8)	16.0

The carrying values of the assets and liabilities of the TiO2 Pigments and Other Businesses included as discontinued operations in the condensed consolidated balance sheets as of March 31, 2014 and December 31, 2013 are as follows:

	TiO2 Pigments and Other	
($ in millions)	**March 31, 2014**	**December 31, 2013**
ASSETS		
Accounts receivable, net	$ 226.8	$ 200.3
Inventories	431.5	401.9
Property, plant and equipment, net	784.0	749.2
Other intangible assets, net	36.8	64.3
Other assets	87.3	133.4
Total assets	$ 1,566.4	$ 1,549.1
LIABILITIES		
Accounts payable and other current liabilities	$ 249.3	$ 249.9
Pension and related liabilities	207.2	205.0
Other liabilities	39.2	31.6

Total liabilities	$	495.7	$	486.5

The Company has a non-interest bearing note receivable from its former titanium dioxide pigments venture partner in the amount of $29.4 million that is due in August 2028, with a carrying value of $7.6 million and $7.4 million in the condensed consolidated balance sheets as of March 31, 2014 and December 31, 2013, respectively. Interest is imputed at an effective rate of 8.96%. The fair value of the note receivable was approximately $13.8 million and $13.6 million at March 31, 2014 and December 31, 2013, respectively, and is 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 to develop the present value of the receivable.

Included in other liabilities are reclamation obligations of $7.9 million and $8.1 million as of March 31, 2014 and December 31, 2013, respectively. These obligations primarily relate to post-closure reclamation of landfills in the Titanium Dioxide Pigments business.

3. SEGMENT INFORMATION:

The Company is a leading global developer, manufacturer and marketer of technologically advanced and high value-added specialty chemicals used for industrial and commercial purposes. As discussed in Note 2, Discontinued Operations, in 2013, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and entered into a definitive agreement to sell its TiO2 Pigments and Other Businesses. As a result, the Company operates in two reportable segments, Lithium and Surface Treatment, based on 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 chief operating decision maker, who is the Company s Chief Executive Officer.

Items that cannot be readily attributed to individual segments have been classified as Other. 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 Other classification also includes the results of operations of the metal sulfides and wafer reclaim businesses.

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

	Three Months Ended March 31,			
($ in millions)	**2014**		**2013**	
Net Sales:				
Lithium	$	115.8	$	118.5
Surface Treatment		203.7		184.5
Other		35.0		34.1
Total	$	354.5	$	337.1

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 operating decision maker and senior management to evaluate the operating performance of each segment. See Note 3, Segment Information, in the Company s 2013 Annual Report on Form 10-K for a discussion of the use of Adjusted EBITDA as a non-GAAP financial measure.

	Three Months Ended March 31,			
($ in millions)	**2014**		**2013**	
Adjusted EBITDA from continuing operations:				
Lithium	$	41.1	$	46.9
Surface Treatment		46.4		39.5
Other		(6.7)		(9.0)
Total	$	80.8	$	77.4

The following table presents the identifiable assets for each of the reportable segments:

($ in millions)	Identifiable Assets as of March 31, 2014	Identifiable Assets as of December 31, 2013
Lithium	$ 1,355.4	$ 1,373.4
Surface Treatment	1,104.0	1,076.9
Other (a)	1,861.9	1,932.5
Eliminations (b)	(403.3)	(399.6)
Total (c)	$ 3,918.0	$ 3,983.2

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

(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 Other segment s identifiable assets.

(c) Amounts do not include $1,566.4 million and $1,549.1 million of identifiable assets at March 31, 2014 and December 31, 2013, respectively, from discontinued operations. Total identifiable assets including these amounts were $5,484.4 million and $5,532.3 million as of March 31, 2014 and December 31, 2013, 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 2013 Annual Report on Form 10-K.

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	Other	Consolidated
Three months ended March 31, 2014				
Income (loss) from continuing operations before taxes	$ 28.1	$ 34.2	$ (27.8)	$ 34.5
Interest (income) expense, net	(0.2)	3.0	11.4	14.2
Depreciation and amortization	11.5	7.7	6.0	25.2
Restructuring and other severance costs (a)	3.5	0.6		4.1
Systems/organization establishment expenses (b)	0.2	0.1		0.3
Acquisition and disposal costs (c)		0.3	0.8	1.1
Foreign exchange (gain) loss on financing activities, net (d)	(2.1)	(0.2)	2.9	0.6
Other	0.1	0.7		0.8
Total Adjusted EBITDA from continuing operations	$ 41.1	$ 46.4	$ (6.7)	$ 80.8
Three months ended March 31, 2013				
Income (loss) from continuing operations before taxes	$ 30.4	$ 27.2	$ (50.3)	7.3
Interest expense, net	0.7	3.0	19.7	23.4
Depreciation and amortization	11.1	7.9	3.4	22.4
Restructuring and other severance costs (a)	3.9	2.2	0.2	6.3
Systems/organization establishment expenses (b)	0.1	0.6		0.7
Acquisition and disposal costs (c)	0.1		1.7	1.8
Foreign exchange loss (gain) on financing activities, net (d)	0.6	(1.9)	16.4	15.1
Other		0.5	(0.1)	0.4
Total Adjusted EBITDA from continuing operations	$ 46.9	$ 39.5	$ (9.0)	77.4

(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) For the three months ended March 31, 2014, foreign exchange losses of $0.6 million were primarily reported in connection with non-operating Euro-denominated transactions. For the three months ended March 31, 2013, foreign exchange losses of $15.1 million were primarily reported in connection with intercompany Euro-denominated loans put in place to fund the repayment of the outstanding borrowings under the Titanium Dioxide Pigments facility agreement.

4. VARIABLE INTEREST ENTITIES:

As discussed in Note 2, Discontinued Operations, the Company entered into a definitive agreement in September 2013 to sell its TiO2 Pigments and Other Businesses, which include Titanium Dioxide Pigments and the Timber Treatment Chemicals business. This transaction is expected to close during the third quarter of 2014, subject to the receipt of regulatory approval by the European

Commission. Our discontinued operations include the following variable interest entities:

Titanium Dioxide Pigments

The Company formed a Titanium Dioxide Pigments venture with 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.

Viance LLC

The Company has a variable interest entity in its Viance LLC (Viance) joint venture, which is part of the Timber Treatment Chemicals business, that provides an extensive range of advanced wood treatment technologies and services to the global wood treatment industry. The Company has concluded that Rockwood is the primary beneficiary of Viance and as such has consolidated the joint venture. This conclusion was made as Rockwood has the obligation to absorb losses of Viance that could potentially be significant to Viance and/or the right to receive benefits from Viance that could potentially be significant to Viance. In addition, Chemical Specialties, Inc. (CSI) has the power to direct the activities of Viance that most significantly impact Viance s performance, as Viance does not own manufacturing facilities. As a result, Viance primarily relies on CSI to provide product and distribution requirements through a supply agreement.

As of March 31, 2014 and December 31, 2013, 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. 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 assets of discontinued operations and liabilities of discontinued operations in the consolidated balance sheets are as follows:

	March 31, 2014	December 31, 2013
Total assets (a)	$ 65.8	$ 65.3
Total liabilities	$ 4.4	$ 3.6

(a) The majority of these assets are other intangible assets.

Continuing Operations

As of March 31, 2014 and December 31, 2013, 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 $33.7 million and $32.3 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.

See Item 8. Financial Statements and Supplementary Data - Note 4, Variable Interest Entities, in the Company s 2013 Annual Report for further details.

5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS:

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and debt instruments. 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.

The Company follows a fair value measurement hierarchy to measure assets and liabilities. As of March 31, 2014 and December 31, 2013, the assets and liabilities measured at fair value on a recurring basis are cash equivalents and government 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 2013 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 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, when used by the Company, 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 March 31, 2014 and December 31, 2013 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 March 31, 2014 and December 31, 2013:

	As of March 31, 2014		**As of December 31, 2013**	
($ in millions)	**Total**	**Level 1**	**Total**	**Level 1**
Assets				
Cash equivalents	$ 1,335.6	$ 1,335.6	$ 1,370.5	$ 1,370.5
Government securities	0.1	0.1	0.1	0.1
Total assets at fair value	$ 1,335.7	$ 1,335.7	$ 1,370.6	$ 1,370.6

Debt

As of March 31, 2014 and December 31, 2013, the Company s estimated fair value of its unsecured Senior Notes due in 2020 (2020 Notes) was $1,293.8 million and $1,273.8 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 March 31, 2014 and December 31, 2013. The Company categorizes these 2020 Notes as Level 1 in the fair value hierarchy.

6. INVENTORIES:

Inventories are comprised of the following:

($ in millions)	March 31, 2014	December 31, 2013
Raw materials	$ 62.5	$ 64.7
Work-in-process	57.3	53.4
Finished goods	108.3	110.1
Total	$ 228.1	$ 228.2

7. GOODWILL:

Goodwill balances and activity by segment are as follows:

($ in millions)	Lithium	Surface Treatment	Other	Total
Balance, December 31, 2013	$ 275.1	$ 379.6	$ 4.9	$ 659.6
Foreign exchange	0.7	1.3	0.1	2.1
Balance, March 31, 2014	$ 275.8	$ 380.9	$ 5.0	$ 661.7

8. OTHER INTANGIBLE ASSETS, NET:

Other intangible assets, net consist of:

	As of March 31, 2014			As of December 31, 2013		
($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents and other intellectual property	$ 112.3	$ (83.6)	$ 28.7	$ 111.7	$ (81.1)	$ 30.6
Trade names and trademarks	48.0	(24.1)	23.9	47.9	(23.6)	24.3
Customer relationships	146.5	(86.5)	60.0	146.1	(83.8)	62.3
Other	37.2	(27.2)	10.0	37.3	(26.6)	10.7
Total	$ 344.0	$ (221.4)	$ 122.6	$ 343.0	$ (215.1)	$ 127.9

Amortization of other intangible assets was $6.7 million and $6.4 million in the three months ended March 31, 2014 and 2013, respectively.

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

($ in millions) Year ending	Amortization Expense
2014	$ 24.2
2015	20.8
2016	18.9
2017	17.2
2018	10.4

9. LONG-TERM DEBT:

Long-term debt are summarized as follows:

($ in millions)	March 31, 2014	December 31, 2013
2020 Unsecured senior notes	$ 1,250.0	$ 1,250.0
Capitalized lease obligations	30.8	31.5
Other loans	13.9	13.9
	1,294.7	1,295.4
Less current maturities	(10.3)	(10.3)
	$ 1,284.4	$ 1,285.1

In April 2014, the Company announced that its wholly-owned subsidiary, Rockwood Specialties Group, Inc. (RSGI), commenced a cash tender offer (the Asset Sale Offer) to purchase up to $400 million in the aggregate principal amount of its $1.25 billion of 4.625% Senior Notes due in 2020 (2020 Notes), at a purchase price of 100% of the principal amount thereof, plus accrued and unpaid interest thereon, to but not including the date of purchase. The Asset Sale Offer is being made pursuant to the indenture governing the 2020 Notes as a result of the Company s sale of the Advanced Ceramics segment and Clay-based Additives business. Those sales constituted Asset Sales under the indenture governing the 2020 Notes. The source of funds is cash on hand. The Asset Sale Offer will expire at midnight on May 14, 2014, unless extended by RSGI.

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 2013 Annual Report on Form 10-K.

10. INCOME TAXES:

The effective tax rate on income from continuing operations was 37.1% for the three months ended March 31, 2014. The income tax rate is higher than the U.S. statutory rate of 35% primarily due to a tax provision recorded on foreign exchange gains in connection with the repayment of an intercompany loan that was formerly deemed to be of a long-term investment nature.

The effective tax rate on income from continuing operations was 11.0% for the three months ended March 31, 2013. The effective tax rate is lower than the U.S. statutory rate of 35% primarily due to 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, 2013	$	18.5
U.S. valuation allowance - State		(1.1)
Other		0.1
Balance as of March 31, 2014	$	17.5

Unrecognized tax benefits at March 31, 2014 were $31.1 million, all of which, if recognized, would impact the effective tax rate. The Company had accrued $10.4 million for interest and penalties as of March 31, 2014. 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 $3.3 million.

11. STOCK-BASED COMPENSATION:

In December 2013, the Company awarded 161,156 of market-based restricted stock unit awards to its management and key employees which will vest on January 1, 2017 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 2014, 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 2014. 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, 2014 to December 31, 2016. 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, 2014 to December 31, 2016.

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 payable on the original vesting date 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 March 31, 2014 and December 31, 2013 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 was $2.7 million and $3.3 million for the three months ended March 31, 2014 and 2013, respectively. The total tax benefit recognized related to stock awards was $0.2 million and $0.4 million for the three months ended March 31, 2014 and 2013, respectively.

See Item 8. Financial Statements and Supplementary Data - Note 13, Stock-Based Compensation, in the Company s 2013 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 March 31,	
($ in millions)	**2014**	**2013**
Service cost	$ 1.0	$ 1.0
Interest cost	3.9	3.6
Expected return on assets	(2.2)	(2.1)
Amortization of actuarial losses	1.1	1.5
Amortization of prior service cost	0.2	0.2
Total pension cost	$ 4.0	$ 4.2

Contributions to defined benefit pension plans, including benefit payments paid directly to plan participants, are expected to approximate $17.7 million during 2014, of which $4.3 million was contributed in the three months ended March 31, 2014.

The Company also sponsors and participates in various defined contribution and multi-employer plans. The expense for the defined contribution plans was $2.0 million and $1.6 million for the three months ended March 31, 2014 and 2013, respectively. The expense for the multi-employer plans was $0.4 million for both the three months ended March 31, 2014 and 2013, respectively.

13. EARNINGS PER COMMON SHARE:

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

	Three months ended March 31,	
($ in millions, except per share amounts; shares in thousands)	**2014**	**2013**
EPS Numerator:		
Amounts attributable to Rockwood Holdings, Inc.:		
Income from continuing operations	$ 21.7	$ 6.5
(Loss) income from discontinued operations	(42.5)	11.3
Net (loss) income	$ (20.8)	$ 17.8
EPS Denominator:		
Basic weighted average number of common shares outstanding	74,015	78,530
Effect of dilutive stock options and other incentives	863	1,558
Diluted weighted average number of common shares outstanding and common stock equivalents	74,878	80,088
Basic earnings per share attributable to Rockwood Holdings, Inc. shareholders:		
Earnings from continuing operations	$ 0.29	$ 0.08

(Loss) earnings from discontinued operations		(0.57)		0.15
Basic (loss) earnings per share	$	(0.28)	$	0.23
Diluted earnings per share attributable to Rockwood Holdings, Inc. shareholders:				
Earnings from continuing operations	$	0.29	$	0.08
(Loss) earnings from discontinued operations		(0.57)		0.14
Diluted (loss) earnings per share	$	(0.28)	$	0.22

For the three months ended March 31, 2014 and 2013, 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 asset write-downs, 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 months ended March 31, 2014 and 2013:

	Three months ended March 31,			
($ in millions)		**2014**		**2013**
Severance/Relocation	$	0.5	$	0.8
Facility/entity closure and other		0.6		4.3
Asset write-downs		3.0		
Restructuring charge		4.1		5.1
Other severance costs				1.2
Total	$	4.1	$	6.3

For the three months ended March 31, 2014, the restructuring charges primarily relate to asset write-downs, as well as severance and closure costs, in connection with the closure of a lithium manufacturing facility in India.

All restructuring actions still in progress as of March 31, 2014 are expected to be substantially complete within the next twelve months. However, payouts of certain liabilities resulting from these actions will take place over several years. There are no significant future costs related to open restructuring plans remaining. 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, 2013	$	2.4	$	4.8	$	7.2
Restructuring charge in 2014		0.5		3.6		4.1
Utilized		(0.5)		(1.2)		(1.7)
Foreign exchange and other				(3.1)		(3.1)
Liability balance, March 31, 2014	$	2.4	$	4.1	$	6.5

15. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Changes in accumulated other comprehensive income (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 income
Balance at December 31, 2013	$ (123.2)	$ 269.1	$ 147.7	$ (189.9)	$ 103.7
Other comprehensive (loss) income before reclassifications	(0.3)	3.0	1.1		3.8
Amounts reclassified from accumulated other comprehensive income to net income	1.8				1.8
Balance at March 31, 2014	$ (121.7)	$ 272.1	$ 148.8	$ (189.9)	$ 109.3

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

Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss Three months ended March 31, 2014	2013
Pension related adjustments:		
Actuarial losses (a)	$ (2.2)	$ (4.2)
Prior service costs (a)	(0.2)	(0.2)
	(2.4)	(4.4)
Income tax provision	0.6	1.2
Total reclassifications for the period	$ (1.8)	$ (3.2)

(a) These accumulated other comprehensive loss 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 loss 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. This business was sold in 2003. This subsidiary has been named as a defendant, or third-party defendant, in several lawsuits, which were initiated prior to and after the sale of the business, relating to allegedly defective manufacturing of those products. In March 2014, two lawsuits pending in Germany (District Courts of Frankfurt am Main and of Rottweil) were terminated. The six remaining lawsuits are pending in the Netherlands (High Court of Hertogenbosch). The court of the first instance in those litigations concluded in March 2012 that the Company s 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 0.7 million ($1.0 million) to 4.0 million ($5.5 million) as of March 31, 2014. The Company does not believe that the resolution of these matters will have a material effect on its consolidated 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 German 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 March 31, 2014 is from 0.0 million to 5.6 million ($7.7 million). The Company does not expect this matter to have a material impact on its consolidated financial condition, results of operations or cash flows.

La Negra Construction Project

In August 2013, a subsidiary of the Company s Lithium segment sought to terminate a construction agreement to which it is a party for a breach of the construction agreement by the other party/contractor in connection with the expansion project in La Negra, Chile. As a result of the eventual termination, the contractor tendered an arbitration claim under the construction agreement in March 2014. The Company s subsidiary issued a counterclaim in April 2014 seeking damages resulting from such contractor s breach. The parties are currently participating in a binding arbitration process with a third party arbitrator in Chile under the Santiago Chamber of Commerce rules as required under the construction agreement. The Company estimates that the possible range of loss from these claims as of March 31, 2014 is from $0.0 million to $4.7 million. The Company does not expect this matter to have a material impact on its consolidated financial condition, results of operations or cash flows.

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 consolidated 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 $2.0 million and in the aggregate equal $3.0 million as of March 31, 2014. 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 and divested businesses. 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, except as regards to pension obligations disclosed below. However, 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, Clay-based Additives and TiO2 Pigments and Other Businesses for certain tax and environmental matters that may arise in the future that relate to the period prior to the closing or other matters related to such businesses.

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 March 31, 2014, the Company has recorded a reserve of 4.9 million ($6.7 million) against its related receivable of 5.4 million ($7.4 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 consolidated 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 18, Commitments and Contingencies in the Company s 2013 Annual Report on Form 10-K.

Environmental Reserves

Environmental laws have a significant effect on the nature and scope of any cleanup 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 cleanup 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 of the 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 March 31, 2014:

Country	Location	(a)	(b)	(c)	(d)	(e)
Brazil	Diadema			X		X
Chile	La Negra				X	
	Salar de Atacama				X	
China	Shenzhen			X		
France	Sens	X				
Germany	Duisburg				X	
	Empelde	X				X
	Hainhausen	X				
	Liebenau			X		
	Stadeln	X	X			
	Troisdorf	X	X	X		
The Netherlands	Oss	X				
South Africa	Boksburg	X				
Sweden	Balsta			X		
United Kingdom	Birtley			X		
United States	Beltsville, MD	X				
	East St. Louis, IL			X		
	Easton, PA			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 certain liabilities related to environmental matters at these formerly owned or closed facilities.

The Company is also responsible for environmental matters at one of its former off-site disposal locations owned by a third party. This site is considered a Superfund site 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 consolidated 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 clean up obligations and other damages in the future.

In connection with the sale of TiO2 Pigments and Other Businesses, the Company agreed to retain liability for certain environmental matters at the following operating sites where the Company currently has environmental reserves; Birtley, UK, Hainhausen, Germany, Shenzhen, China, Beltsville, Maryland, East St. Louis, Illinois, Easton, Pennsylvania and Valdosta, Georgia. The Company also agreed to retain certain operating sites and lease them to the purchaser. Thus, the reserves for the above sites, and for two other sites, include estimates for further environmental investigation costs. Accordingly, the reserves for these sites remain in continuing operations. The reserves for remaining TiO2 Pigments and Other Businesses operating sites are included in discontinued operations (Duisburg, Uerdingen, and Schwarzheide, Germany, Kipsikorpi, Finland, Harrisburg, North Carolina and Turin, Italy). The Company also agreed to indemnify the buyer for certain environmental matters at such other operating sites of the businesses for a limited period subject to certain limitations, caps and deductibles.

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 or to 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 $41.9 million and $42.0 million for environmental liabilities as of March 31, 2014 and December 31, 2013, respectively, most of which were classified as other non-current liabilities in the condensed consolidated balance sheets. Included in the environmental liabilities are reclamation obligations of $15.3 million as of both March 31, 2014 and December 31, 2013. These obligations primarily relate to post-closure reclamation in the surface mining and manufacturing sites within the Lithium segment.

The remaining environmental liabilities ($26.6 million and $26.7 million as of March 31, 2014 and December 31, 2013, respectively) represent remediation obligations. The Company estimates that the potential range for such environmental matters (excluding reclamation obligations) as of March 31, 2014 is from $26.6 million to $46.2 million. Of these accruals, $14.5 million and $14.3 million as of March 31, 2014 and December 31, 2013, respectively, represent liabilities discounted using discount rates ranging from 2.8% to 7.0%.

The Company s remediation liabilities are payable over periods of up to 30 years. At a number of the sites described above, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable and could potentially affect the range. For the three months ended March 31, 2014, the Company recorded charges of $0.3 million to increase its environmental liabilities and made payments of $0.4 million for reclamation and remediation costs, which reduced its environmental liabilities. For the three months ended March 31, 2014, the recurring cost of managing hazardous substances for ongoing operations is $2.7 million.

The Company believes these accruals are adequate based on currently available information. The Company may incur losses in excess of the amounts accrued; however, based on currently available information, it does not believe the additional amount of potential losses would have a material effect on its business or consolidated financial condition, but may have a material effect on the results of operations or cash flows in any given quarterly or annual reporting period. The Company does not believe that any known individual environmental matter would have a material effect on its consolidated financial condition, results of operations or cash flows. 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.

In the event that manufacturing operations are discontinued at any of the Company s facilities with known contamination, regulatory authorities may impose more stringent requirements on the Company including soil remediation. The Company does not contemplate any such action occurring in the foreseeable future, as these facilities remaining lives are not known, except for those sites we expect to lease to the purchaser of the TiO2 Pigments and Other Businesses. Given the indeterminate useful life of these facilities and the corresponding indeterminate settlement date of any soil remediation obligations, the Company does not have sufficient information to estimate a range of potential settlement dates for its obligations. Consequently, the Company cannot employ a present value technique to estimate fair value and, accordingly, has not accrued for any environmental-related costs to remediate soil at these facilities.

17. GUARANTOR FINANCIAL STATEMENTS:

Rockwood Holdings Inc. (Parent Company) and certain of its 100% owned domestic subsidiaries (Guarantor Subsidiaries) jointly and severally, and fully and unconditionally guarantee the 2020 Notes in the aggregate principal amount of $1.25 billion issued in September 2012 by RSGI, an indirect 100% owned subsidiary of the Company. The following presents the consolidating financial information separately for:

- Parent Company Guarantor the Parent Company owns a 100% direct investment in Rockwood Specialties Consolidated, Inc. (RSCI). RSCI owns a 100% direct investment in Rockwood Specialties International, Inc. (RSII). RSII owns a 100% direct investment in RSGI. Each of these entities is a domestic holding company;

- Issuer - RSGI, the issuer of the guaranteed obligations, owns direct or indirect investments in all other domestic and foreign subsidiaries;

- Guarantor Subsidiaries these represent substantially all of RSGI s domestic subsidiaries on a combined basis. The investment in subsidiary and equity in undistributed earnings of subsidiaries represents all non-guarantor subsidiaries of such guarantors;

- Non-Guarantor Subsidiaries these include all of the Company s foreign subsidiaries, two domestic subsidiaries and RSCI and RSII (because they are non-guarantors) on a consolidated basis. As a result, the investment in subsidiary and equity in undistributed earnings of subsidiaries presented in the Non-Guarantor Subsidiaries column includes all of the subsidiaries of RSCI;

- Consolidating Adjustments represent adjustments to (a) eliminate intercompany transactions between or among the Parent Company, RSGI, the Guarantor Subsidiaries and the Non-Guarantor subsidiaries, (b) eliminate the investments in subsidiaries and (c) offset deferred income taxes within the same tax jurisdictions; and

- Total Consolidated Amounts - Parent Company and its subsidiaries on a consolidated basis.

Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements.

The Parent Company Guarantor, Issuer, Guarantor Subsidiaries and Non-Guarantor Subsidiaries are parties to cash concentration arrangements with three financial institutions to maximize the availability of cash for general corporate and operating purposes. Cash balances under one of the cash concentration arrangements are swept daily from the accounts of the entities who are party to the arrangement into the concentration account. There are no restrictions under the cash concentration arrangements on the movement of cash between the Parent Company Guarantor, the Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries. There are no significant restrictions on the ability of RSGI or any Guarantor Subsidiaries to obtain funds by dividend or loan. However, there are restrictions contained in the indenture governing the 2020 Notes on the ability of the Parent Company to obtain funds from RSGI and its subsidiaries. See Item 8. Financial Statements and Supplementary Data - Note 10, Long-term Debt in the Company s 2013 Annual Report on Form 10-K for further details.

The guarantor financial statements for the three months ended March 31, 2013 were adjusted for discontinued operations (described in Note 2, Discontinued Operations), the adjustment related to Turin, Italy (described in Note 18, Immaterial Corrections), a correction of misclassifications among operating, investing and financing activities in the guarantor statements of cash flows for the three months ended March 31, 2013 for intercompany pooling/lending arrangements, and other changes to conform to current year presentation.

The following tables present the Company s consolidating statement of operations, comprehensive income and cash flows for the three months ended March 31, 2014 and 2013, and the Company s consolidating balance sheets as of March 31, 2014 and December 31, 2013:

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2014

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net sales	$	$	$ 85.0	$ 295.7	$ (26.2)	$ 354.5
Cost of products sold			52.3	166.4	(26.1)	192.6
Gross profit			32.7	129.3	(0.1)	161.9
Selling, general and administrative expenses		0.7	32.1	75.8		108.6
Restructuring and other severance costs			0.1	4.0		4.1
Operating (loss) income		(0.7)	0.5	49.5	(0.1)	49.2
Other (expenses) income, net:						
Intergroup interest, net		12.5	(2.2)	(10.3)		
Interest (expense) income, net		(15.0)	(0.2)	1.0		(14.2)
Intergroup other, net			5.4	(5.4)		
Foreign exchange gain (loss) on financing activities, net		0.8	(0.1)	(1.3)		(0.6)
Other, net				0.1		0.1
Other (expenses) income, net		(1.7)	2.9	(15.9)		(14.7)
(Loss) income from continuing operations before taxes		(2.4)	3.4	33.6	(0.1)	34.5
Income tax provision (benefit)		11.5	(6.7)	7.9	0.1	12.8
Net (loss) income from continuing operations		(13.9)	10.1	25.7	(0.2)	21.7
Income (loss) from discontinued operations, net of tax		2.0	(5.3)	(39.9)	(0.2)	(43.4)
(Loss) gain on sale of discontinued operations, net of tax		(0.1)		2.1		2.0
Equity in undistributed earnings of subsidiaries	(20.8)	(8.8)	14.8	(20.8)	35.6	
Net (loss) income	(20.8)	(20.8)	19.6	(32.9)	35.2	(19.7)
Net income attributable to the noncontrolling interest - discontinued operations				(1.1)		(1.1)
Net (loss) income attributable to Rockwood Holdings, Inc. stockholders	$ (20.8)	$ (20.8)	$ 19.6	$ (34.0)	$ 35.2	$ (20.8)

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31, 2014

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net (loss) income	$ (20.8)	$ (20.8)	$ 19.6	$ (32.9)	$ 35.2	$ (19.7)
Other comprehensive income (loss)	5.6	5.6	(0.8)	9.7	(14.5)	5.6
Comprehensive (loss) income	(15.2)	(15.2)	18.8	(23.2)	20.7	(14.1)
Comprehensive income attributable to noncontrolling interest				(1.1)		(1.1)
Comprehensive (loss) income attributable to Rockwood Holdings, Inc. stockholders	$ (15.2)	$ (15.2)	$ 18.8	$ (24.3)	$ 20.7	$ (15.2)

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net sales	$	$	$ 75.2	$ 281.2	$ (19.3)	$ 337.1
Cost of products sold			46.4	157.2	(19.6)	184.0
Gross profit			28.8	124.0	0.3	153.1
Selling, general and administrative expenses		0.4	32.9	67.8		101.1
Restructuring and other severance costs			4.9	1.4		6.3
Operating (loss) income		(0.4)	(9.0)	54.8	0.3	45.7
Other income (expenses), net:						
Intergroup interest, net		16.0	(1.8)	(14.2)		
Interest expense, net		(22.7)	(0.4)	(0.3)		(23.4)
Intergroup other, net			6.3	(6.3)		
Foreign exchange loss on financing activities, net		(13.3)	(0.2)	(1.6)		(15.1)
Other, net				0.1		0.1
Other (expenses) income, net		(20.0)	3.9	(22.3)		(38.4)
(Loss) income from continuing operations before taxes		(20.4)	(5.1)	32.5	0.3	7.3
Income tax (benefit) provision		(5.7)	(1.9)	8.3	0.1	0.8
Net (loss) income from continuing operations		(14.7)	(3.2)	24.2	0.2	6.5
Income (loss) from discontinued operations, net of tax		3.7	7.6	(1.5)	(0.5)	9.3
Equity in undistributed earnings of subsidiaries	17.8	28.8	13.9	17.8	(78.3)	
Net income	17.8	17.8	18.3	40.5	(78.6)	15.8
Net income attributable to the noncontrolling interest - discontinued operations				2.0		2.0
Net income attributable to Rockwood Holdings, Inc. stockholders	$ 17.8	$ 17.8	$ 18.3	$ 42.5	$ (78.6)	$ 17.8

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31, 2013

(Dollars in millions)

(Unaudited)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
Net income	$ 17.8	$ 17.8	$ 18.3	$ 40.5	$ (78.6)	$ 15.8
Other comprehensive (loss) income	(72.7)	(72.7)	0.1	(95.1)	196.6	(43.8)
Comprehensive (loss) income	(54.9)	(54.9)	18.4	(54.6)	118.0	(28.0)
Comprehensive loss attributable to noncontrolling interest				0.7		0.7
Comprehensive (loss) income attributable to Rockwood Holdings, Inc. stockholders	$ (54.9)	$ (54.9)	$ 18.4	$ (53.9)	$ 118.0	$ (27.3)

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

MARCH 31, 2014

(Dollars in millions)

(Unaudited)

[redacted]						
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 12.1	$ 20.0	$ 1,428.5	$	$ 1,460.6
Accounts receivable, net			46.9	204.5		251.4
Intergroup receivable		910.9	582.6	11.3	(1,504.8)	
Inventories			57.8	175.4	(5.1)	228.1
Deferred income taxes		4.1	37.2	8.4		49.7
Prepaid expenses and other current assets	0.1		14.9	38.9		53.9
Assets of discontinued operations	3.2	94.7	235.6	1,411.1	(178.2)	1,566.4
Total current assets	3.3	1,021.8	995.0	3,278.1	(1,688.1)	3,610.1
Property, plant and equipment, net			134.2	724.5		858.7
Investment in subsidiary	3,365.8	2,443.5	503.4	3,365.8	(9,678.5)	
Goodwill			25.5	636.2		661.7
Other intangible assets, net			31.5	91.1		122.6
Intergroup receivable	88.2	1,197.9	118.0		(1,404.1)	
Deferred financing costs, net		17.2				17.2
Deferred income taxes		98.2	14.3	36.3		148.8
Other assets			0.9	64.4		65.3
Total assets	$ 3,457.3	$ 4,778.6	$ 1,822.8	$ 8,196.4	$ (12,770.7)	$ 5,484.4
LIABILITIES						
Current liabilities:						
Accounts payable	$	$	$ 8.5	$ 72.5	$	$ 81.0
Intergroup payable	572.6	0.1	922.2	9.9	(1,504.8)	
Income taxes payable				12.9		12.9
Accrued compensation			11.3	61.6		72.9
Accrued expenses and other current liabilities		27.1	19.0	58.1		104.2
Deferred income taxes				4.0	(1.5)	2.5
Long-term debt, current portion				10.3		10.3
Liabilities of discontinued operations		4.9	185.9	481.1	(176.2)	495.7
Total current liabilities	572.6	32.1	1,146.9	710.4	(1,682.5)	779.5
Long-term debt		1,250.0		34.4		1,284.4
Pension and related liabilities			9.0	258.8		267.8
Intergroup payable	24.8	118.0	380.4	880.9	(1,404.1)	
Deferred income taxes				36.9		36.9
Other liabilities		12.7	24.2	66.0		102.9

Total liabilities	597.4	1,412.8	1,560.5	1,987.4	(3,086.6)	2,471.5
Restricted stock units	16.1					16.1
EQUITY						
Rockwood Holdings, Inc. stockholders equity:						
Common stock	0.8		190.6	164.7	(355.3)	0.8
Paid-in capital	1,273.7	1,037.1	515.3	1,694.3	(3,246.7)	1,273.7
Accumulated other comprehensive income	109.3	110.6	5.5	279.3	(395.4)	109.3
Retained earnings (deficit)	1,868.6	2,218.1	(449.1)	3,917.7	(5,686.7)	1,868.6
Treasury stock, at cost	(408.6)					(408.6)
Total Rockwood Holdings, Inc. stockholders equity	2,843.8	3,365.8	262.3	6,056.0	(9,684.1)	2,843.8
Noncontrolling interest				153.0		153.0
Total equity	2,843.8	3,365.8	262.3	6,209.0	(9,684.1)	2,996.8
Total liabilities and equity	$ 3,457.3	$ 4,778.6	$ 1,822.8	$ 8,196.4	$ (12,770.7)	$ 5,484.4

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2013

(Dollars in millions)

	Parent Company Guarantor	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated Amounts
ASSETS						
Current assets:						