OM GROUP INC
Form 10-Q
August 07, 2008

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

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

For the quarterly period ended June 30, 2008

OR

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

Commission file number 001-12515

OM GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**52-1736882**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
127 Public Square **1500 Key Tower** **Cleveland, Ohio**	**44114-1221**
(Address of principal executive offices)	(Zip Code)

216-781-0083

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 þ 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ 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 Act). Yes o No þ

As of August 1, 2008 there were 30,467,614 shares of Common Stock, par value $.01 per share, outstanding.

OM Group, Inc.
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Part I FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements

OM Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

(In thousands, except share data)	**June 30, 2008**	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	**$ 115,388**	$ 100,187
Accounts receivable, less allowances	**232,245**	178,481
Inventories	**473,550**	413,434
Other current assets	**76,032**	60,655
Interest receivable from joint venture partner		3,776
Total current assets	**897,215**	756,533
Property, plant and equipment, net	**270,688**	288,834
Goodwill	**303,990**	322,172
Intangible assets	**91,273**	46,454
Notes receivable from joint venture partner, less allowance of $5,200 in 2008 and 2007	**19,665**	24,179
Other non-current assets	**29,732**	31,038
Total assets	**$ 1,612,563**	$ 1,469,210
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Short-term debt	**$**	$ 347
Current portion of long-term debt	**121**	166
Accounts payable	**202,007**	214,244
Accrued income taxes	**27,553**	32,040
Accrued employee costs	**29,536**	34,707
Other current liabilities	**30,136**	25,435
Total current liabilities	**289,353**	306,939
Long-term debt	**26,162**	1,136
Deferred income taxes	**40,073**	29,645
Minority interests	**54,483**	52,314
Other non-current liabilities	**50,672**	50,790
Stockholders equity:		
Preferred stock, $.01 par value:		
Authorized 2,000,000 shares, no shares issued or outstanding		
Common stock, $.01 par value:		
	303	301

Authorized 60,000,000 shares in 2008 and 2007; issued 30,312,837 in 2008 and 30,122,209 shares in 2007		
Capital in excess of par value	**561,572**	554,933
Retained earnings	**578,985**	467,726
Treasury stock (136,328 and 61,541 shares in 2008 and 2007, respectively, at cost)	**(5,490)**	(2,239)
Accumulated other comprehensive income	**16,450**	7,665
Total stockholders equity	**1,151,820**	1,028,386
Total liabilities and stockholders equity	**$ 1,612,563**	$ 1,469,210

See accompanying notes to unaudited condensed consolidated financial statements.

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OM Group, Inc. and Subsidiaries
Unaudited Condensed Statements of Consolidated Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	**2008**	2007	**2008**	2007
Net sales	**$ 510,825**	$ 231,298	**$ 991,620**	$ 447,494
Cost of products sold	**384,802**	147,621	**728,931**	291,573
Gross profit	**126,023**	83,677	**262,689**	155,921
Selling, general and administrative expenses	**42,444**	31,170	**84,476**	56,602
Operating profit	**83,579**	52,507	**178,213**	99,319
Other income (expense):				
Interest expense	**(547)**	(180)	**(907)**	(7,285)
Interest income	**408**	5,404	**874**	10,603
Loss on redemption of Notes				(21,733)
Foreign exchange gain	**102**	1,316	**748**	1,784
Other expense, net	**(284)**	(252)	**(194)**	(499)
	(321)	6,288	**521**	(17,130)
Income from continuing operations before income tax expense and minority partners share of income	**83,258**	58,795	**178,734**	82,189
Income tax expense	**(22,306)**	(9,815)	**(49,451)**	(49,789)
Minority partners share of income, net of tax	**(4,358)**	(4,848)	**(17,100)**	(6,809)
Income from continuing operations	**56,594**	44,132	**112,183**	25,591
Discontinued operations:				
Income (loss) from discontinued operations, net of tax	**(362)**	1,904	**(731)**	62,923
Gain on sale of discontinued operations, net of tax		(19)		72,270
Total income (loss) from discontinued operations, net of tax	**(362)**	1,885	**(731)**	135,193
Net income	**$ 56,232**	$ 46,017	**$ 111,452**	$ 160,784
Net income (loss) per common share basic:				
Continuing operations	**$ 1.88**	$ 1.48	**$ 3.73**	$ 0.86
Discontinued operations	**(0.01)**	0.06	**(0.02)**	4.53
Net income	**$ 1.87**	$ 1.54	**$ 3.71**	$ 5.39
Net income (loss) per common share assuming dilution:				
Continuing operations	**$ 1.86**	$ 1.46	**$ 3.69**	$ 0.85

Discontinued operations	**(0.01)**	0.06	**(0.02)**	4.48
Net income	**$ 1.85**	$ 1.52	**$ 3.67**	$ 5.33
Weighted average shares outstanding				
Basic	**30,072**	29,900	**30,051**	29,836
Assuming dilution	**30,314**	30,266	**30,365**	30,177

See accompanying notes to unaudited condensed consolidated financial statements.

OM Group, Inc. and Subsidiaries
Unaudited Condensed Statements of Consolidated Cash Flows

(In thousands)	Six Months Ended June 30, **2008**	2007
Operating activities		
Net income	**$ 111,452**	$ 160,784
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
(Income) loss from discontinued operations	**731**	(62,923)
Gain on sale of discontinued operations		(72,270)
Loss on redemption of Notes		21,733
Depreciation and amortization	**27,538**	16,398
Share-based compensation expense	**4,658**	3,418
Excess tax benefit on share-based compensation	**(1,111)**	(1,045)
Foreign exchange gain	**(748)**	(1,784)
Minority partners share of income	**17,100**	6,809
Gain on cobalt forward purchase contracts	**(4,002)**	
Interest income received from consolidated joint venture partner	**3,776**	
Other non-cash items	**(2,524)**	128
Changes in operating assets and liabilities		
Accounts receivable	**(52,992)**	(37,654)
Inventories	**(62,827)**	(78,075)
Accounts payable	**(12,299)**	38,531
Other, net	**(13,835)**	4,405
Net cash provided by (used for) operating activities	**14,917**	(1,545)
Investing activities		
Expenditures for property, plant and equipment	**(16,512)**	(7,953)
Proceeds from loans to consolidated joint venture partner	**4,514**	
Proceeds from loans to non-consolidated joint ventures		7,568
Net proceeds from the sale of the Nickel business		490,036
Payments related to acquisitions made in prior periods	**(3,775)**	
Proceeds from settlement of cobalt forward purchase contracts	**7,661**	
Expenditures for software	**(1,232)**	(2,127)
Net cash provided by (used for) investing activities	**(9,344)**	487,524
Financing activities		
Payments of revolving line of credit and long-term debt	**(45,438)**	(400,000)
Borrowings from revolving line of credit	**70,000**	
Premium for redemption of Notes		(18,500)
Distributions to joint venture partners	**(14,934)**	(1,350)
Payment related to surrendered shares	**(3,251)**	
Proceeds from exercise of stock options	**872**	10,489
Excess tax benefit on share-based compensation	**1,111**	1,045
Net cash provided by (used for) financing activities	**8,360**	(408,316)

Effect of exchange rate changes on cash	**1,268**	4,053
Cash and cash equivalents		
Increase from continuing operations	**15,201**	81,716
Discontinued operations net cash provided by operating activities		49,623
Discontinued operations net cash used for investing activities		(1,540)
Balance at the beginning of the period	**100,187**	282,288
Balance at the end of the period	**$ 115,388**	$ 412,087

See accompanying notes to unaudited condensed consolidated financial statements

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OM Group, Inc. and Subsidiaries
Unaudited Condensed Statements of Consolidated Stockholders Equity

(In thousands)	Six Months Ended June 30, **2008**	2007
Common Stock Shares Outstanding, net of Treasury Shares		
Beginning balance	**30,061**	29,740
Shares issued under share-based compensation plans	**116**	291
	30,177	30,031
Common Stock Dollars		
Beginning balance	**$ 301**	$ 297
Shares issued under share-based compensation plans	**2**	4
	303	301
Capital in Excess of Par Value		
Beginning balance	**554,933**	533,818
Shares issued under share-based compensation plans employees	**870**	10,485
Shares issued under share-based compensation plans non-employee directors	**155**	
Excess tax benefit on share-based compensation	**1,111**	1,045
Share-based compensation	**4,503**	4,086
	561,572	549,434
Retained Earnings		
Beginning balance	**467,726**	221,310
Adoption of EITF No. 06-10 in 2008 and FIN No. 48 in 2007	**(193)**	(450)
Net income	**111,452**	160,784
	578,985	381,644
Treasury Stock		
Beginning balance	**(2,239)**	(2,239)
Value of surrendered shares	**(3,251)**	
	(5,490)	(2,239)
Accumulated Other Comprehensive Income		
Beginning balance	**7,665**	28,893
Foreign currency translation	**9,064**	(13,483)
Reclassification of hedging activities into earnings, net of tax benefit of $117 and $3,452 in 2008 and 2007, respectively	**333**	(9,824)
Unrealized loss on cash flow hedges, net of tax benefit of $215	**(612)**	
	16,450	5,586
Total Stockholders Equity	**$ 1,151,820**	$ 934,726

See accompanying notes to unaudited condensed consolidated financial statements

Notes to Unaudited Condensed Consolidated Financial Statements

OM Group, Inc. and Subsidiaries

(In thousands, except as noted and per share amounts)

Note 1 Basis of Presentation

OM Group, Inc. (OMG or the Company) is a diversified global developer, producer and marketer of value-added specialty chemicals and advanced materials that are essential to complex chemical and industrial processes.

The consolidated financial statements include OMG and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The Company has a 55% interest in a joint venture, that has a smelter, in the Democratic Republic of Congo (the DRC). The joint venture is consolidated because the Company has a controlling interest in the joint venture. Minority interest is recorded for the remaining 45% interest.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company at June 30, 2008 and the results of its operations, its cash flows and changes in stockholders equity for the three and six months ended June 30, 2008 and 2007, have been included. The balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements. Past operating results are not necessarily indicative of the results which may occur in future periods, and the interim period results are not necessarily indicative of the results to be expected for the full year.

These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

On October 1, 2007, the Company completed the acquisition of Borchers GmbH (Borchers). On December 31, 2007, the Company completed the acquisition of the Electronics businesses (REM) of Rockwood Specialties Group, Inc. The financial position, results of operations and cash flows of Borchers are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition. The financial position of REM is included in the Company s balance sheet at December 31, 2007. The results of operations and cash flows of REM are included in the Unaudited Condensed Consolidated Financial Statements from January 1, 2008.

Unless otherwise indicated, all disclosures and amounts in the Notes to Unaudited Condensed Consolidated Financial Statements relate to the Company s continuing operations.

Note 2 Recently Issued Accounting Standards

Accounting Standards adopted in 2008:

SFAS No. 157: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. This Statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements but does not require any new fair value measurements. SFAS No. 157 only applies to accounting pronouncements that already require or permit fair value measures, except for standards that relate to share-based payments (SFAS No. 123R Share Based Payment).

SFAS No. 157 s valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. SFAS No. 157 classifies these inputs into the following hierarchy:

Level 1 Inputs Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement.

Level 2 Inputs Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in

markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company s own assumptions that market participants would use to price the asset or liability based on the best available information.

In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, The Effective Date of FASB Statement No. 157 , which provides a one-year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

As of January 1, 2008, in accordance with this FSP, the Company has adopted the provisions of SFAS No. 157 with respect to financial assets and liabilities that are measured at fair value within the financial statements. The adoption of SFAS No. 157 did not have a material impact on the Company s results of operations or financial position. The provisions of FAS 157 have not been applied to non-financial assets and non-financial liabilities. The Company is currently assessing the impact of SFAS No. 157 for non-financial assets and non-financial liabilities on its results of operations, financial position and related disclosures. See Note 8.

SFAS No. 159: In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 does not affect any existing pronouncements that require assets and liabilities to be carried at fair value, and does not eliminate disclosure requirements included under existing pronouncements. The Company adopted SFAS No. 159 on January 1, 2008 and did not elect to report any additional assets or liabilities at fair value that were not already reported at fair value. Therefore, the adoption of SFAS No. 159 did not have any impact on the Company s results of operations, financial position or related disclosures.

EITF No. 06-4: In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on EITF No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, which requires the application of the provisions of SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, to endorsement split-dollar life insurance arrangements. SFAS No. 106 requires the Company to recognize a liability for the discounted future benefit obligation that the Company will have to pay upon the death of the underlying insured employee. An endorsement-type arrangement generally exists when the Company owns and controls all incidents of ownership of the underlying policies. The Company adopted EITF No. 06-4 on January 1, 2008. The adoption did not have any impact on the Company s results of operations, financial position or related disclosures.

EITF No. 06-10: In November 2006, the FASB issued EITF Issue No. 06-10, Accounting for Deferred Compensation and Postretirement Benefits Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements. This Statement establishes that an employer should recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, or Accounting Principles Board Opinion No. 12, Omnibus Opinion, if, based on the substantive agreement with the employee, the employer has agreed to maintain a life insurance policy during the postretirement period or provide a death benefit. The EITF also concluded that an employer should recognize and measure an associated asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The Company has one arrangement with a former executive under which the Company has agreed to fund a life insurance policy during the former executive s retirement. The insurance policy is a collateral assignment split-dollar agreement owned by a trust established by the former executive. The collateral assignment provides the Company with an interest in the policy equal to its cumulative premium payments. The Company adopted EITF No. 06-10 on January 1, 2008. The effect of adoption was a $0.2 million cumulative effect adjustment to decrease retained earnings at January 1, 2008.

Accounting Standards Not Yet Adopted

SFAS No. 158: In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R). The Company adopted the requirement to recognize the funded status of a defined benefit postretirement plan as an asset or liability in its Consolidated Balance Sheet as of December 31, 2006. The additional requirement to measure plan assets and benefit obligations as of the date of the employer s fiscal

year-end consolidated balance sheet is effective for fiscal years ending after December 15, 2008. The Company currently uses October 31 as the measurement date and will change to December 31st, the date of its fiscal year-end, during the fourth quarter of 2008.

SFAS No. 158 allows employers to choose one of two transition methods to adopt the measurement date requirement. The Company chose to adopt the measurement date requirement in 2008 using the 14-month approach. Under this approach, an additional two months of net periodic benefit cost, covering the period between the previous measurement date and the December 31st measurement date will be recognized as an adjustment to equity in the fourth quarter of 2008. The adoption of this measurement date requirement is not expected to have a material impact on the Company s results of operations, financial position or related disclosures.

SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 . SFAS No. 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for annual periods beginning after December 15, 2008 and should be applied prospectively. However, the presentation and disclosure requirements of the statement shall be applied retrospectively for all periods presented. The Company has not determined the effect, if any, the adoption of SFAS No. 160 will have on its results of operations, financial position and related disclosures.

SFAS No. 141R: In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations . SFAS No. 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R requires restructuring and acquisition-related costs to be recognized separately from the acquisition and establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. SFAS No. 141R must be applied prospectively to business combinations for which the acquisition date is on or after the adoption date. Early adoption is not permitted.

SFAS No. 161: On March 19, 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement 133. SFAS No. 161 enhances required disclosures regarding derivatives and hedging activities, including how: (a) an entity uses derivative instruments; (b) derivative instruments and related hedged items are accounted for under SFAS No.133, Accounting for Derivative Instruments and Hedging Activities; and (c) derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 will change the disclosures related to derivative instruments held by the Company.

FSP No. 142-3: In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP No. 142-3 allows the Company to use its historical experience in renewing or extending the useful life of intangible assets, is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and shall be applied prospectively to intangible assets acquired after the effective date. The Company has not determined the effect, if any, the adoption of FSP No. 142-3 will have on its results of operations, financial position and related disclosures.

Note 3 Acquisitions

On December 31, 2007, the Company completed the acquisition of REM. The REM businesses, which had combined sales of approximately $200 million in 2007 and employ approximately 700 people worldwide, include the Printed Circuit Board (PCB) business, the Ultra-Pure Chemicals (UPC) business, and the Photomasks business. The acquired REM businesses supply customers with chemicals used in the manufacture of semiconductors and printed circuit boards as well as photo-imaging masks primarily for semiconductor and photovoltaic manufacturers and have locations in the United States, the United Kingdom, France, Taiwan, Singapore and China. The acquisition of REM also provides new products and expanded distribution channels for the Company s Electronic Chemicals offerings.

PCB produces specialty and proprietary chemicals used in the manufacture of printed circuit boards widely used in computers, communications, military/aerospace, automotive, industrial and consumer electronics applications. UPC develops and manufactures a wide range of ultra-pure chemicals used in the manufacture of electronic and computer components such as semiconductors, silicon chips, wafers and liquid crystal displays. Photomasks manufactures photo-imaging masks (high-purity quartz or glass plates containing precision, microscopic images of integrated circuits) and reticles for the semiconductor, optoelectronics and microelectronics industries under the Compugraphics brand name.

The total purchase price of $321.0 million, net of cash acquired and including $4.9 million of transaction fees, was funded with existing cash. The purchase price is subject to customary post-closing adjustment.

Under SFAS No. 141, Business Combinations, the cost of the acquired business is allocated to the assets acquired and liabilities assumed. In connection with this allocation, the Company recorded a step-up to fair value related to acquired inventories of $1.7 million to reflect manufacturing profit in inventory at the date of the acquisition. This amount was charged to cost of products sold in the first quarter of 2008 as the acquired inventory was sold in the normal course of business.

The excess of the total purchase price over the estimated fair value of the net assets acquired has been allocated to goodwill and is estimated to be approximately $163.3 million, as of June 30, 2008. The allocation of the purchase price to the assets acquired and liabilities assumed is preliminary and reflects adjustments from the original allocation reported in the Company s Form 10-K for the year ended December 31, 2007. The adjustments, which are still preliminary, are based on management s current estimates and assumptions. When the Company completes its evaluation of the fair value of assets acquired and liabilities assumed, including the valuation of specifically identifiable intangible assets, the allocation will be adjusted accordingly. Goodwill is not deductible for tax purposes.

The preliminary allocation at June 30, 2008 is summarized below:

Accounts receivable	**$ 45,973**
Inventory	**20,409**
Other current assets	**23,612**
Property, plant and equipment	**67,509**
Other intangibles	**82,400**
Other assets	**269**
Goodwill	**163,266**
Total assets acquired	**403,438**
Accounts payable	**24,446**
Other current liabilities	**12,017**
Other liabilities	**30,190**
Total liabilities assumed	**66,653**
Net assets acquired	**336,785**

Cash acquired	**15,754**
Purchase price, net of cash acquired	**$ 321,031**

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On October 1, 2007, the Company completed the acquisition of Borchers, a European-based specialty coatings additive supplier with locations in France and Germany, for approximately $20.7 million, net of cash acquired. The Company incurred fees of approximately $1.2 million associated with this transaction.

Note 4 Discontinued Operations and Disposition of Nickel Business

On November 17, 2006, the Company entered into a definitive agreement to sell its Nickel business to Norilsk. The Nickel business consisted of the Harjavalta, Finland nickel refinery; the Cawse, Australia nickel mine and intermediate refining facility; a 20% equity interest in MPI Nickel Pty. Ltd.; and an 11% ownership interest in Talvivaara Mining Company, Ltd. The transaction closed on March 1, 2007 and at closing the Company received cash proceeds of $413.3 million. In addition, the agreement provided for a final purchase price adjustment (primarily related to working capital for the net assets sold), which was determined to be $83.2 million, and was received by the Company in the second quarter of 2007.

The following table sets forth the components of the proceeds from the sale of the Nickel business:

Initial proceeds	$ 413.3
Final purchase price adjustment	83.2
Transaction costs	(6.5)
	$ 490.0

The agreement also provided for interest on the working capital adjustment from the transaction closing date. For the three and six months ended June 30, 2007, the Company recorded interest income of $0.6 million and $1.2 million, respectively, which is included in Interest income on the Unaudited Condensed Statements of Consolidated Income. In the six months ended June 30, 2007, the Company recognized a pretax and after-tax gain on the sale of the Nickel business of $77.0 million and $72.3 million, respectively.

Discontinued operations includes share-based incentive compensation expense related to Nickel management that previously had been included in corporate expenses. No interest expense has been allocated to discontinued operations.

Income (loss) from discontinued operations consisted of the following for the three months ended June 30:

	2008	2007