

ROCKWOOD SPECIALTIES GROUP INC
Form 8-K
January 13, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

JOINT CURRENT REPORT

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

Date of Report (Date of earliest event reported): **January 7, 2011**

Rockwood Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(Jurisdiction of Incorporation)

001-32609
(Commission File Number)

52-2277366
(IRS Employer
Identification Number)

100 Overlook Center

Princeton, New Jersey 08540

(Address of registrant's principal executive office)

(609) 514-0300

(Registrant's telephone number)

Rockwood Specialties Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(Jurisdiction of Incorporation)

333-109686
(Commission File Number)

52-2277390
(IRS Employer
Identification Number)

7101 Muirkirk Road

Beltsville, Maryland 20705

(Address of registrant's principal executive office)

(301) 470-3366

(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registration under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act

Soliciting material pursuant to Rule 14a-12 under the Exchange Act

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

On January 7, 2011, Rockwood Holdings, Inc. and Rockwood Specialties Group, Inc. and certain of its subsidiaries (collectively, Rockwood) completed the sale of its AlphaGary plastic compounding business to Mexichem, S.A.B. de C.V. and certain of its subsidiaries (Mexichem) for \$300.0 million, subject to certain potential post closing adjustments. The plastic compounding business, which manufactures specialty plastic compounds for the wire and cable industry, medical applications and other uses, comprised substantially all of the assets of Rockwood s Specialty Compounds segment.

A copy of the Business Purchase Agreement pertaining to the sale was filed as an exhibit to our Current Report on Form 8-K filed on December 20, 2010.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro forma financial information.

(i) Rockwood Holdings, Inc.

ROCKWOOD HOLDINGS, INC. UNAUDITED PRO FORMA

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed balance sheet and statements of operations are presented to illustrate the estimated effects of the sale by Rockwood, of its AlphaGary plastic compounding business, to Mexichem.

The unaudited pro forma condensed financial information presented for the balance sheet as of September 30, 2010, the statements of operations for the nine months ended September 30, 2010 and 2009, and the years ended December 31, 2009, 2008, and 2007 are based upon the historical results of operations, adjusted to reflect the pro forma effect as if the sale of the plastic compounding business, had occurred on January 1, 2007 with respect to the statements of operations and on September 30, 2010 with respect to the balance sheet. The historical consolidated financial information presented herein should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in Rockwood Holdings, Inc. s annual report on Form 10-K for the year ended December 31, 2009 and the unaudited condensed consolidated financial statements and notes thereto included in Rockwood Holdings, Inc. s quarterly report on Form 10-Q for the nine months ended September 30, 2010.

The unaudited pro forma condensed consolidated financial information is for illustrative purposes only. Such information does not purport to be indicative of the financial condition and the results of operations that would have been achieved had the sale of the AlphaGary plastic compounding business actually occurred on the dates referred to above or the financial condition and the results of operations that may be

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expected in the future. Such information has been prepared based upon currently available information and assumptions that Rockwood Holdings, Inc. believes are reasonable. Such currently available information and assumptions may prove to be inaccurate over time.

For the purposes of the pro forma financial information, in accordance with Securities and Exchange Commission (SEC) guidance, we have assumed no interest income on these cash proceeds or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet

September 30, 2010

(Dollars in millions, except per share amounts; shares in thousands)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|--|------------------------|--------------|--------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 283.1 | \$ 285.7 (a) | \$ 568.8 |
| Accounts receivable, net | 517.5 | (37.6) | 479.9 |
| Inventories | 528.6 | (19.5) | 509.1 |
| Deferred income taxes | 3.0 | (0.3) | 2.7 |
| Prepaid expenses and other current assets | 66.9 | (1.5) | 65.4 |
| Total current assets | 1,399.1 | 226.8 | 1,625.9 |
| Property, plant and equipment, net | 1,621.8 | (63.4) | 1,558.4 |
| Goodwill | 894.0 | | 894.0 |
| Other intangible assets, net | 624.5 | (16.5) | 608.0 |
| Deferred debt issuance costs, net of accumulated amortization of \$14.5 | 18.9 | | 18.9 |
| Deferred income taxes | 26.2 | 1.1 | 27.3 |
| Other assets | 40.9 | | 40.9 |
| Total assets | \$ 4,625.4 | \$ 148.0 | \$ 4,773.4 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 223.0 | \$ (29.0) | \$ 194.0 |
| Income taxes payable | 20.6 | | 20.6 |
| Accrued compensation | 150.4 | (2.0) | 148.4 |
| Accrued expenses and other current liabilities | 169.8 | (1.5) | 168.3 |
| Deferred income taxes | 6.6 | | 6.6 |
| Long-term debt, current portion | 90.5 | | 90.5 |
| Total current liabilities | 660.9 | (32.5) | 628.4 |
| Long-term debt | 2,105.1 | | 2,105.1 |
| Pension and related liabilities | 397.7 | | 397.7 |
| Deferred income taxes | 80.1 | (0.4) | 79.7 |
| Other liabilities | 128.7 | | 128.7 |
| Total liabilities | 3,372.5 | (32.9) | 3,339.6 |
| Restricted stock units | 7.2 | | 7.2 |
| EQUITY | | | |
| Rockwood Holdings, Inc. stockholders' equity: | | | |
| Common stock (\$0.01 par value, 400,000 shares authorized, 75,659 shares issued and 75,538 shares outstanding at September 30, 2010) | 0.8 | | 0.8 |
| Paid-in capital | 1,192.4 | | 1,192.4 |
| Accumulated other comprehensive income | 156.3 | (9.3) | 147.0 |
| Accumulated deficit | (392.4) | 190.2 (b) | (202.2) |
| Treasury stock, at cost | (1.4) | | (1.4) |
| Total Rockwood Holdings, Inc. stockholders' equity | 955.7 | 180.9 | 1,136.6 |
| Noncontrolling interest | 290.0 | | 290.0 |
| Total equity | 1,245.7 | 180.9 | 1,426.6 |
| Total liabilities and equity | \$ 4,625.4 | \$ 148.0 | \$ 4,773.4 |

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Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet

1. Pro Forma Assumptions and Adjustments

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For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) Represents cash proceeds of \$300.0 million, less estimated taxes of \$8.3 million and estimated fees and expenses of \$6.0 million associated with the sale, but excludes a working capital adjustment of \$10.1 million, which was paid by the purchaser at closing and is subject to a potential post closing adjustment.

(b) Represents the estimated net gain on the sale, including \$8.3 million of current tax expense and estimated fees and expenses of \$6.0 million associated with the sale. The effects of the gain were not reflected, however, in the pro forma statements of operations as the adjustments are non-recurring in nature. We do not expect the transaction to have any U.S. federal tax effect as a result of valuation allowances attributable to net operating loss carryforwards, except for Alternative Minimum Tax.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

(Dollars in millions, except per share amounts; shares in thousands)

| | Nine Months Ended September 30, 2010 | | | Nine Months Ended September 30, 2009 | | |
|--|---|-------------|--------------------------|---|-------------|--------------------------|
| | Rockwood Historical | Adjustments | Pro Forma As Adjusted | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
| Net sales | \$ 2,569.3 | \$ (175.9) | \$ 2,393.4 | \$ 2,176.6 | \$ (145.3) | \$ 2,031.3 |
| Cost of products sold | 1,744.4 | (142.8) | 1,601.6 | 1,560.1 | (117.4) | 1,442.7 |
| Gross profit | 824.9 | (33.1) | 791.8 | 616.5 | (27.9) | 588.6 |
| Selling, general and administrative expenses | 514.4 | (12.5) | 501.9 | 450.9 | (11.7) | 439.2 |
| Restructuring and other severance costs | 4.9 | | 4.9 | 16.0 | (0.2) | 15.8 |
| Loss (gain) on sale of assets | 0.2 | | 0.2 | (0.3) | | (0.3) |
| Operating income | 305.4 | (20.6) | 284.8 | 149.9 | (16.0) | 133.9 |
| Other expenses, net: | | | | | | |
| Interest expense, net | (116.7) | | (116.7) | (131.4) | | (131.4) |
| Loss on early extinguishment of debt | (1.6) | | (1.6) | (26.6) | | (26.6) |
| Foreign exchange gain, net | 0.8 | | 0.8 | 15.4 | | 15.4 |
| Other, net | 0.5 | | 0.5 | 0.4 | | 0.4 |
| Other expenses, net | (117.0) | | (117.0) | (142.2) | | (142.2) |
| Income (loss) from continuing operations before taxes | 188.4 | (20.6) | 167.8 | 7.7 | (16.0) | (8.3) |
| Income tax provision from continuing operations | 53.4 | (1.3) (a) | 52.1 | 6.9 | (0.8) (a) | 6.1 |
| Net income (loss) from continuing operations | 135.0 | (19.3) | 115.7 | 0.8 | (15.2) | (14.4) |
| Net (income) loss attributable to noncontrolling interest from continuing operations | (5.2) | | (5.2) | 6.2 | | 6.2 |
| Net income (loss) attributable to Rockwood Holdings, Inc. from continuing operations | \$ 129.8 | \$ (19.3) | \$ 110.5 | \$ 7.0 | \$ (15.2) | \$ (8.2) |
| Earnings (loss) per share attributable to Rockwood Holdings, Inc.: | | | | | | |
| Basic | \$ 1.74 | | \$ 1.48 | \$ 0.09 | | \$ (0.11) |
| Diluted | 1.67 | | 1.42 | 0.09 | | (0.11) |
| Weighted average number of basic shares outstanding | 74,735 | | 74,735 | 74,084 | | 74,084 |
| Weighted average number of diluted shares outstanding | 77,671 | | 77,671 | 74,372 | | 74,084 |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Year Ended December 31, 2009

(Dollars in millions, except per share amounts; shares in thousands)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|--|------------------------|-------------|--------------------------|
| Net sales | \$ 2,962.9 | \$ (193.8) | \$ 2,769.1 |
| Cost of products sold | 2,107.7 | (156.7) | 1,951.0 |
| Gross profit | 855.2 | (37.1) | 818.1 |
| Selling, general and administrative expenses | 614.1 | (15.4) | 598.7 |
| Restructuring and other severance costs | 20.8 | (0.2) | 20.6 |
| Loss on sale of assets | 0.5 | | 0.5 |
| Operating income | 219.8 | (21.5) | 198.3 |
| Other expenses, net: | | | |
| Interest expense, net | (178.1) | | (178.1) |
| Loss on early extinguishment of debt | (26.6) | | (26.6) |
| Foreign exchange gain, net | 16.0 | | 16.0 |
| Other, net | 0.6 | | 0.6 |
| Other expenses, net | (188.1) | | (188.1) |
| Income from continuing operations before taxes | 31.7 | (21.5) | 10.2 |
| Income tax provision from continuing operations | 17.2 | (1.0) (a) | 16.2 |
| Net income (loss) from continuing operations | 14.5 | (20.5) | (6.0) |
| Net loss attributable to noncontrolling interest from continuing operations | 3.8 | | 3.8 |
| Net income (loss) attributable to Rockwood Holdings, Inc. from continuing operations | \$ 18.3 | \$ (20.5) | \$ (2.2) |
| Earnings (loss) per share attributable to Rockwood Holdings, Inc.: | | | |
| Basic | \$ 0.25 | | \$ (0.03) |
| Diluted | 0.24 | | (0.03) |
| Weighted average number of basic shares outstanding | 74,096 | | 74,096 |
| Weighted average number of diluted shares outstanding | 74,851 | | 74,096 |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

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(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Year Ended December 31, 2008

(Dollars in millions, except per share amounts; shares in thousands)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|---|------------------------|-------------|--------------------------|
| Net sales | \$ 3,380.1 | \$ (243.1) | \$ 3,137.0 |
| Cost of products sold | 2,365.8 | (206.1) | 2,159.7 |
| Gross profit | 1,014.3 | (37.0) | 977.3 |
| Selling, general and administrative expenses | 661.3 | (16.4) | 644.9 |
| Impairment charges | 809.5 | (92.0) | 717.5 |
| Restructuring and other severance costs | 35.3 | (0.7) | 34.6 |
| Gain on sale of assets | (2.4) | | (2.4) |
| Operating loss | (489.4) | 72.1 | (417.3) |
| Other expenses, net: | | | |
| Interest expense, net | (225.1) | | (225.1) |
| Gain on early extinguishment of debt | 4.0 | | 4.0 |
| Foreign exchange loss, net | (32.3) | | (32.3) |
| Other, net | 0.7 | | 0.7 |
| Other expenses, net | (252.7) | | (252.7) |
| Loss from continuing operations before taxes | (742.1) | 72.1 | (670.0) |
| Income tax benefit from continuing operations | (23.9) | (0.6) (a) | (24.5) |
| Net loss from continuing operations | (718.2) | 72.7 | (645.5) |
| Net loss attributable to noncontrolling interest from continuing operations | 83.6 | | 83.6 |
| Net loss attributable to Rockwood Holdings, Inc. from continuing operations | \$ (634.6) | \$ 72.7 | \$ (561.9) |
| Loss per share attributable to Rockwood Holdings, Inc.: | | | |
| Basic | \$ (8.58) | | \$ (7.59) |
| Diluted | (8.58) | | (7.59) |
| Weighted average number of basic shares outstanding | 73,983 | | 73,983 |
| Weighted average number of diluted shares outstanding | 73,983 | | 73,983 |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

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(a) - The tax rate differs from the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance and due to the non-deductable book goodwill impairments.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Year Ended December 31, 2007

(Dollars in millions, except per share amounts; shares in thousands)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|---|------------------------|-------------|--------------------------|
| Net sales | \$ 3,065.2 | \$ (258.8) | \$ 2,806.4 |
| Cost of products sold | 2,089.1 | (220.4) | 1,868.7 |
| Gross profit | 976.1 | (38.4) | 937.7 |
| Selling, general and administrative expenses | 597.6 | (18.3) | 579.3 |
| Restructuring and other severance costs | 12.0 | | 12.0 |
| Gain on sale of assets | (4.7) | | (4.7) |
| Operating income | 371.2 | (20.1) | 351.1 |
| Other expenses, net: | | | |
| Interest expense, net | (207.8) | | (207.8) |
| Loss on early extinguishment of debt | (18.6) | | (18.6) |
| Refinancing expenses | (0.9) | | (0.9) |
| Foreign exchange gain, net | 7.8 | | 7.8 |
| Other expenses, net | (219.5) | | (219.5) |
| Income from continuing operations before taxes | 151.7 | (20.1) | 131.6 |
| Income tax provision from continuing operations | 62.3 | (1.6) (a) | 60.7 |
| Net income from continuing operations | 89.4 | (18.5) | 70.9 |
| Net income attributable to noncontrolling interest from continuing operations | (8.0) | | (8.0) |
| Net income attributable to Rockwood Holdings, Inc. from continuing operations | \$ 81.4 | \$ (18.5) | \$ 62.9 |
| Earnings per share attributable to Rockwood Holdings, Inc.: | | | |
| Basic | \$ 1.10 | | \$ 0.85 |
| Diluted | 1.07 | | 0.82 |
| Weighted average number of basic shares outstanding | 73,817 | | 73,817 |
| Weighted average number of diluted shares outstanding | 76,279 | | 76,279 |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

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(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

- (ii) Rockwood Specialties Group, Inc.

**ROCKWOOD SPECIALTIES GROUP, INC. UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed balance sheet and statements of operations are presented to illustrate the estimated effects of the sale by Rockwood, of its AlphaGary plastic compounding business, to Mexichem.

The unaudited pro forma condensed financial information presented for the balance sheet as of September 30, 2010, the statements of operations for the nine months ended September 30, 2010 and 2009, and the years ended December 31, 2009, 2008, and 2007 are based upon the historical results of operations, adjusted to reflect the pro forma effect as if the sale of the plastic compounding business, had occurred on January 1, 2007 with respect to the statements of operations and on September 30, 2010 with respect to the balance sheet. The historical consolidated financial information presented herein should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in Rockwood Specialties Group, Inc.'s annual report on Form 10-K for the year ended December 31, 2009 and the unaudited condensed consolidated financial statements and notes thereto included in Rockwood Specialties Group, Inc.'s quarterly report on Form 10-Q for the nine months ended September 30, 2010.

The unaudited pro forma condensed consolidated financial information is for illustrative purposes only. Such information does not purport to be indicative of the financial condition and the results of operations that would have been achieved had the sale of the AlphaGary plastic compounding business actually occurred on the dates referred to above or the financial condition and the results of operations that may be expected in the future. Such information has been prepared based upon currently available information and assumptions that Rockwood Specialties Group, Inc. believes are reasonable. Such currently available information and assumptions may prove to be inaccurate over time.

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on these cash proceeds or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

ROCKWOOD SPECIALTIES GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Balance Sheet

September 30, 2010

(Dollars in millions, except per share amounts; shares in thousands)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|---|------------------------|--------------|--------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 280.8 | \$ 285.7 (a) | \$ 566.5 |
| Accounts receivable, net | 517.5 | (37.6) | 479.9 |
| Inventories | 528.6 | (19.5) | 509.1 |
| Deferred income taxes | 3.1 | (0.3) | 2.8 |
| Prepaid expenses and other current assets | 66.8 | (1.5) | 65.3 |
| Total current assets | 1,396.8 | 226.8 | 1,623.6 |
| Property, plant and equipment, net | 1,621.8 | (63.4) | 1,558.4 |
| Goodwill | 894.0 | | 894.0 |
| Other intangible assets, net | 624.5 | (16.5) | 608.0 |
| Deferred debt issuance costs, net of accumulated amortization of \$14.5 | 18.9 | | 18.9 |
| Deferred income taxes | 26.2 | 1.1 | 27.3 |
| Other assets | 40.9 | | 40.9 |
| Total assets | \$ 4,623.1 | \$ 148.0 | \$ 4,771.1 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 223.0 | \$ (29.0) | \$ 194.0 |
| Income taxes payable | 20.6 | | 20.6 |
| Accrued compensation | 150.4 | (2.0) | 148.4 |
| Accrued expenses and other current liabilities | 218.4 | (1.5) | 216.9 |
| Deferred income taxes | 6.6 | | 6.6 |
| Long-term debt, current portion | 90.5 | | 90.5 |
| Total current liabilities | 709.5 | (32.5) | 677.0 |
| Long-term debt | 2,105.1 | | 2,105.1 |
| Pension and related liabilities | 397.7 | | 397.7 |
| Deferred income taxes | 80.3 | (0.4) | 79.9 |
| Other liabilities | 126.9 | | 126.9 |
| Total liabilities | 3,419.5 | (32.9) | 3,386.6 |
| EQUITY | | | |
| Rockwood Specialties Group, Inc. stockholder's equity: | | | |
| Common stock (\$0.01 par value, 5,000 shares authorized, 1,910 shares issued and outstanding) | | | |
| Paid-in capital | 1,044.0 | | 1,044.0 |
| Accumulated other comprehensive income | 159.3 | (9.3) | 150.0 |
| Accumulated deficit | (289.7) | 190.2 (b) | (99.5) |
| Total Rockwood Specialties Group, Inc. stockholder's equity | 913.6 | 180.9 | 1,094.5 |
| Noncontrolling interest | 290.0 | | 290.0 |
| Total equity | 1,203.6 | 180.9 | 1,384.5 |
| Total liabilities and equity | \$ 4,623.1 | \$ 148.0 | \$ 4,771.1 |

Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) Represents cash proceeds of \$300.0 million, less estimated taxes of \$8.3 million and estimated fees and expenses of \$6.0 million associated with the sale, but excludes a working capital adjustment of \$10.1 million, which was paid by the purchaser at closing and is subject to a potential post closing adjustment.

(b) Represents the estimated net gain on the sale, including \$8.3 million of current tax expense and estimated fees and expenses of \$6.0 million associated with the sale. The effects of the gain were not reflected, however, in the pro forma statements of operations as the adjustments are non-recurring in nature. We do not expect the transaction to have any U.S. federal tax effect as a result of valuation allowances attributable to net operating loss carryforwards, except for Alternative Minimum Tax.

ROCKWOOD SPECIALTIES GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

(Dollars in millions)

| | Nine Months Ended September 30, 2010 | | | Nine Months Ended September 30, 2009 | | |
|---|---|-------------|--------------------------|---|-------------|--------------------------|
| | Rockwood Historical | Adjustments | Pro Forma As Adjusted | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
| Net sales | \$ 2,569.3 | \$ (175.9) | \$ 2,393.4 | \$ 2,176.6 | \$ (145.3) | \$ 2,031.3 |
| Cost of products sold | 1,744.4 | (142.8) | 1,601.6 | 1,560.1 | (117.4) | 1,442.7 |
| Gross profit | 824.9 | (33.1) | 791.8 | 616.5 | (27.9) | 588.6 |
| Selling, general and administrative expenses | 514.4 | (12.5) | 501.9 | 450.9 | (11.7) | 439.2 |
| Restructuring and other severance costs | 4.9 | | 4.9 | 16.0 | (0.2) | 15.8 |
| Loss (gain) on sale of assets | 0.2 | | 0.2 | (0.3) | | (0.3) |
| Operating income | 305.4 | (20.6) | 284.8 | 149.9 | (16.0) | 133.9 |
| Other expenses, net: | | | | | | |
| Interest expense, net | (116.7) | | (116.7) | (131.4) | | (131.4) |
| Loss on early extinguishment of debt | (1.6) | | (1.6) | (26.6) | | (26.6) |
| Foreign exchange gain, net | 0.8 | | 0.8 | 15.4 | | 15.4 |
| Other, net | 0.5 | | 0.5 | 0.4 | | 0.4 |
| Other expenses, net | (117.0) | | (117.0) | (142.2) | | (142.2) |
| Income from (loss) continuing operations before taxes | 188.4 | (20.6) | 167.8 | 7.7 | (16.0) | (8.3) |
| Income tax provision from continuing operations | 53.4 | (1.3) (a) | 52.1 | 6.9 | (0.8) (a) | 6.1 |
| Net income (loss) from continuing operations | 135.0 | (19.3) | 115.7 | 0.8 | (15.2) | (14.4) |
| Net (income) loss attributable to noncontrolling interest from continuing operations | (5.2) | | (5.2) | 6.2 | | 6.2 |
| Net income (loss) attributable to Rockwood Specialties Group, Inc. from continuing operations | \$ 129.8 | \$ (19.3) | \$ 110.5 | \$ 7.0 | \$ (15.2) | \$ (8.2) |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

ROCKWOOD SPECIALTIES GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Year Ended December 31, 2009

(Dollars in millions)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|---|------------------------|-------------|--------------------------|
| Net sales | \$ 2,962.9 | \$ (193.8) | \$ 2,769.1 |
| Cost of products sold | 2,107.7 | (156.7) | 1,951.0 |
| Gross profit | 855.2 | (37.1) | 818.1 |
| Selling, general and administrative expenses | 614.1 | (15.4) | 598.7 |
| Restructuring and other severance costs | 20.8 | (0.2) | 20.6 |
| Loss on sale of assets | 0.5 | | 0.5 |
| Operating income | 219.8 | (21.5) | 198.3 |
| Other expenses, net: | | | |
| Interest expense, net | (178.1) | | (178.1) |
| Loss on early extinguishment of debt | (26.6) | | (26.6) |
| Foreign exchange gain, net | 16.0 | | 16.0 |
| Other, net | 0.6 | | 0.6 |
| Other expenses, net | (188.1) | | (188.1) |
| Income from continuing operations before taxes | 31.7 | (21.5) | 10.2 |
| Income tax provision from continuing operations | 17.2 | (1.0) (a) | 16.2 |
| Net income (loss) from continuing operations | 14.5 | (20.5) | (6.0) |
| Net loss attributable to noncontrolling interest from continuing operations | 3.8 | | 3.8 |
| Net income (loss) attributable to Rockwood Specialties Group, Inc. from continuing operations | \$ 18.3 | \$ (20.5) | \$ (2.2) |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

ROCKWOOD SPECIALTIES GROUP, INC. AND SUBSIDIARIES

Unaudited Pro Forma Condensed Consolidated Statement of Operations

Year Ended December 31, 2008

(Dollars in millions)

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|--|------------------------|-------------|--------------------------|
| Net sales | \$ 3,380.1 | \$ (243.1) | \$ 3,137.0 |
| Cost of products sold | 2,365.8 | (206.1) | 2,159.7 |
| Gross profit | 1,014.3 | (37.0) | 977.3 |
| Selling, general and administrative expenses | 661.3 | (16.4) | 644.9 |
| Impairment charges | 809.5 | (92.0) | 717.5 |
| Restructuring and other severance costs | 35.3 | (0.7) | 34.6 |
| Gain on sale of assets | (2.4) | | (2.4) |
| Operating loss | (489.4) | 72.1 | (417.3) |
| Other expenses, net: | | | |
| Interest expense, net | (225.1) | | (225.1) |
| Gain on early extinguishment of debt | 4.0 | | 4.0 |
| Foreign exchange loss, net | (32.3) | | (32.3) |
| Other, net | 0.7 | | 0.7 |
| Other expenses, net | (252.7) | | (252.7) |
| Loss from continuing operations before taxes | (742.1) | 72.1 | (670.0) |
| Income tax benefit from continuing operations | (23.9) | (0.6) (a) | (24.5) |
| Net loss from continuing operations | (718.2) | 72.7 | (645.5) |
| Net loss attributable to noncontrolling interest from continuing operations | 83.6 | | 83.6 |
| Net loss attributable to Rockwood Specialties Group, Inc. from continuing operations | \$ (634.6) | \$ 72.7 | \$ (561.9) |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) The tax rate differs from the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance and due to the non-deductible book goodwill impairments.

ROCKWOOD SPECIALTIES GROUP, INC. AND SUBSIDIARIES**Unaudited Pro Forma Condensed Consolidated Statement of Operations****Year Ended December 31, 2007****(Dollars in millions)**

| | Rockwood Historical | Adjustments | Pro Forma As Adjusted |
|--|--------------------------------|--------------------|----------------------------------|
| Net sales | \$ 3,065.2 | \$ (258.8) | \$ 2,806.4 |
| Cost of products sold | 2,089.1 | (220.4) | 1,868.7 |
| Gross profit | 976.1 | (38.4) | 937.7 |
| Selling, general and administrative expenses | 597.6 | (18.3) | 579.3 |
| Restructuring and other severance costs | 12.0 | | 12.0 |
| Gain on sale of assets | (4.7) | | (4.7) |
| Operating income | 371.2 | (20.1) | 351.1 |
| Other expenses, net: | | | |
| Interest expense, net | (207.8) | | (207.8) |
| Loss on early extinguishment of debt | (18.6) | | (18.6) |
| Refinancing expenses | (0.9) | | (0.9) |
| Foreign exchange gain, net | 7.8 | | 7.8 |
| Other expenses, net | (219.5) | | (219.5) |
| Income from continuing operations before taxes | 151.7 | (20.1) | 131.6 |
| Income tax provision from continuing operations | 62.3 | (1.6) (a) | 60.7 |
| Net income from continuing operations | 89.4 | (18.5) | 70.9 |
| Net income attributable to noncontrolling interest from continuing operations | (8.0) | | (8.0) |
| Net income attributable to Rockwood Specialties Group, Inc. from continuing operations | \$ 81.4 | \$ (18.5) | \$ 62.9 |

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

1. Pro Forma Assumptions and Adjustments

For the purposes of the pro forma financial information, in accordance with SEC guidance, we have assumed no interest income on the estimated net proceeds of \$285.7 million or potential interest savings from expected debt repayments. However, we plan to use the proceeds to repay a portion of our term loans under senior secured credit facilities.

(a) The tax rate is lower than the statutory tax rate primarily due to the assumed domestic utilization of net operating loss carryforwards for which the Company had previously provided a valuation allowance.

(d) Exhibits

| Exhibit No. | Description |
|--------------------|--|
| 10.1(A) | Business Purchase Agreement, dated December 16, 2010, by and among Mexichem Compuestos, S.A. de C.V., Mexichem UK Limited, Mexichem Fluor Canada Inc., Mexichem Amanco Holding, S.A. de C.V., Mexichem, S.A.B. de C.V., Alphagary Corporation, Alphagary Limited, Rockwood Additives Limited, Rockwood Specialties Inc., Rockwood Specialties Group, Inc., and Rockwood Holdings, Inc. |
| 99.1 | Press Release dated January 10, 2011. |

(A) Incorporated by reference to the Company's Current Report on Form 8-K filed on December 20, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

Rockwood Holdings, Inc.

By: /s/ Michael W. Valente
Name: Michael W. Valente
Title: Assistant Secretary

Rockwood Specialties Group, Inc.

By: /s/ Michael W. Valente
Name: Michael W. Valente
Title: Assistant Secretary

Dated: January 13, 2011