Rockwood Holdings, Inc.
Form 10-Q
November 07, 2014
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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 September 30, 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 November 3, 2014, there were 71,266,632 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 September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net sales	$ 356.3	$ 345.8	$ 1,073.1	$ 1,030.8
Cost of products sold	193.4	193.1	585.3	567.5
Gross profit	162.9	152.7	487.8	463.3
Selling, general and administrative expenses	113.8	99.8	333.3	303.0
Equity in earnings of unconsolidated affiliates	(5.1)	(2.3)	(9.9)	(7.4)
Gain on previously held equity investment		(16.0)		(16.0)
Restructuring and other severance costs	1.4	4.6	7.0	13.2
Asset write-downs and other	0.4	(0.7)	2.1	4.0
Operating income	52.4	67.3	155.3	166.5
Other income (expenses), net:				
Interest expense, net	(13.5)	(21.2)	(41.3)	(67.9)
Loss on early extinguishment/modification of debt		(15.5)		(15.5)
Foreign exchange gain (loss) on financing activities, net	55.1	(31.2)	60.9	(41.7)
Other, net	(0.2)		(0.2)	
Other income (expenses), net	41.4	(67.9)	19.4	(125.1)
Income (loss) from continuing operations before taxes	93.8	(0.6)	174.7	41.4
Income tax provision (benefit)	39.4	(9.0)	64.5	0.8
Income from continuing operations	54.4	8.4	110.2	40.6
Income (loss) from discontinued operations, net of tax	33.5	(60.9)	4.4	(45.1)
Gain on sale of discontinued operations, net of tax		1,163.8	2.1	1,163.8
Net income	87.9	1,111.3	116.7	1,159.3
Net (income) loss attributable to noncontrolling interest - discontinued operations	(2.0)	(0.1)	(4.9)	0.8
Net income attributable to Rockwood Holdings, Inc. stockholders	$ 85.9	$ 1,111.2	$ 111.8	$ 1,160.1
Amounts attributable to Rockwood Holdings, Inc. stockholders:				
Income from continuing operations	$ 54.4	$ 8.4	$ 110.2	$ 40.6
Income from discontinued operations	31.5	1,102.8	1.6	1,119.5
Net income	$ 85.9	$ 1,111.2	$ 111.8	$ 1,160.1

Basic earnings per share attributable to Rockwood Holdings, Inc. stockholders:								
Earnings from continuing operations	$	0.76	$	0.11	$	1.52	$	0.53
Earnings from discontinued operations		0.45		14.85		0.02		14.61
Basic earnings per share	$	1.21	$	14.96	$	1.54	$	15.14
Diluted earnings per share attributable to Rockwood Holdings, Inc. stockholders:								
Earnings from continuing operations	$	0.75	$	0.11	$	1.50	$	0.52
Earnings from discontinued operations		0.44		14.53		0.02		14.30
Diluted earnings per share	$	1.19	$	14.64	$	1.52	$	14.82
Dividends declared per share of common stock	$	0.45	$	0.45	$	1.35	$	1.25
Weighted average number of basic shares outstanding		71,239		74,262		72,504		76,611
Weighted average number of diluted shares outstanding		72,176		75,906		73,547		78,264

See accompanying notes to condensed consolidated financial statements.

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ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net income	$ 87.9	$ 1,111.3	$ 116.7	$ 1,159.3
Other comprehensive (loss) income, net of tax:				
Pension related adjustments	8.5	10.6	12.0	21.2
Foreign currency translation	(176.5)	64.5	(178.9)	35.3
Intercompany foreign currency loans	(38.1)	28.4	(39.4)	17.6
Foreign exchange contracts and other		0.1		0.1
Other comprehensive (loss) income	(206.1)	103.6	(206.3)	74.2
Comprehensive (loss) income	(118.2)	1,214.9	(89.6)	1,233.5
Comprehensive income attributable to noncontrolling interest	(2.0)	(0.2)	(4.9)	(0.6)
Comprehensive (loss) income attributable to Rockwood Holdings, Inc. stockholders	$ (120.2)	$ 1,214.7	$ (94.5)	$ 1,232.9

See accompanying notes to condensed consolidated financial statements.

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ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 710.0	$ 1,522.8
Accounts receivable, net	236.4	228.1
Inventories	227.5	228.2
Deferred income taxes	51.0	45.4
Prepaid expenses and other current assets	48.8	90.1
Assets of discontinued operations	1,505.3	1,549.1
Total current assets	2,779.0	3,663.7
Property, plant and equipment, net	871.1	842.8
Goodwill	609.2	659.6
Other intangible assets, net	110.5	127.9
Deferred financing costs, net	15.9	17.9
Deferred income taxes	146.1	156.5
Investment in unconsolidated affiliates	522.1	34.2
Other assets	28.0	29.7
Total assets	$ 5,081.9	$ 5,532.3
LIABILITIES		
Current liabilities:		
Accounts payable	$ 79.0	$ 92.2
Income taxes payable	34.8	13.5
Accrued compensation	73.4	70.0
Accrued expenses and other current liabilities	104.2	89.0
Deferred income taxes	3.3	2.3
Long-term debt, current portion	9.5	10.3
Liabilities of discontinued operations	452.0	486.5
Total current liabilities	756.2	763.8
Long-term debt	1,278.8	1,285.1
Pension and related liabilities	245.7	268.9
Deferred income taxes	41.9	38.4
Other liabilities	90.8	102.7
Total liabilities	2,413.4	2,458.9
Commitments and Contingencies - See Note 17		
Restricted stock units	22.2	24.2
EQUITY		
Rockwood Holdings, Inc. stockholders equity:		
Common stock ($0.01 par value, 400,000 shares authorized, 80,541 shares issued and 71,241 shares outstanding at September 30, 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	1,275.3	1,269.8
Accumulated other comprehensive (loss) income	(102.6)	103.7

Retained earnings		1,936.0		1,923.1
Treasury stock, at cost (9,300 shares and 6,327 shares, respectively)		(616.0)		(401.3)
Total Rockwood Holdings, Inc. stockholders equity		2,493.5		2,896.1
Noncontrolling interest		152.8		153.1
Total equity		2,646.3		3,049.2
Total liabilities and equity	$	5,081.9	$	5,532.3

See accompanying notes to condensed consolidated financial statements.

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ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 116.7	$ 1,159.3
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(4.4)	45.1
Gain on sale of discontinued operations, net of tax	(2.1)	(1,163.8)
Depreciation and amortization	75.7	68.0
Deferred financing costs amortization	2.0	3.7
Equity in earnings of unconsolidated affiliates	(9.9)	(7.4)
Loss on early extinguishment/modification of debt		15.5
Gain on previously held equity interest		(16.0)
Foreign exchange (gain) loss on financing activities, net	(60.9)	41.7
Stock-based compensation	7.4	9.9
Deferred income taxes	15.4	(1.1)
Asset write-downs and other	5.1	4.0
Excess tax benefits from stock-based payment arrangements	(1.0)	(3.8)
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		
Accounts receivable	(19.2)	(26.5)
Inventories	(8.8)	(15.2)
Prepaid expenses and other assets	3.0	0.8
Accounts payable	(4.1)	(4.7)
Income taxes payable	14.5	(43.8)
Accrued expenses and other liabilities	12.1	26.1
Net cash provided by operating activities of continuing operations	141.5	91.8
Net cash provided by operating activities of discontinued operations	78.9	187.8
Net cash provided by operating activities	220.4	279.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(134.4)	(128.7)
Acquisition of 49% equity interest in Talison	(516.6)	
Other acquisitions	(2.5)	(33.8)
Increase in restricted cash		(14.2)
Proceeds on sale of assets	2.4	2.5
Net cash used in investing activities of continuing operations	(651.1)	(174.2)
Net cash (used in) provided by investing activities of discontinued operations	(84.1)	1,648.9
Net cash (used in) provided by investing activities	(735.2)	1,474.7
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net of fees	2.1	9.5
Excess tax benefits from stock-based payment arrangements	1.0	3.8
Payments of long-term debt	(3.9)	(1,130.3)
Proceeds from long term debt	0.1	204.6
Fees related to early extinguishment/modification of debt		(5.2)
Purchase of noncontrolling interest		(130.3)

Dividend distributions to shareholders		(97.6)		(94.8)
Share repurchases		(214.7)		(399.9)
Net cash used in financing activities of continuing operations		(313.0)		(1,542.6)
Net cash used in financing activities of discontinued operations		(9.9)		(511.0)
Net cash used in financing activities		(322.9)		(2,053.6)
Effect of exchange rate changes on cash and cash equivalents		28.0		(33.2)
Net decrease in cash and cash equivalents		(809.7)		(332.5)
Less net increase in cash and cash equivalents from discontinued operations		3.1		1.6
Decrease in cash and cash equivalents from continuing operations		(812.8)		(334.1)
Cash and cash equivalents, beginning of period		1,522.8		1,266.1
Cash and cash equivalents, end of period	$	710.0	$	932.0
Supplemental disclosures of cash flow information:				
Interest paid	$	29.9	$	57.4
Income taxes paid, net of refunds		34.6		45.8
Non-cash investing activities:				
Acquisition of capital equipment included in accounts payable		13.4		4.9

See accompanying notes to condensed consolidated financial statements.

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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	2.1		2.1				
Deferred compensation	2.1		2.1				
Share repurchases	(214.7)					(214.7)	
Dividend paid to shareholders ($1.35 per share)	(97.6)		1.3		(98.9)		
Distributions to noncontrolling shareholders	(5.2)						(5.2)
Other comprehensive loss, net of tax	(206.3)			(206.3)			
Net income	116.7				111.8		4.9
Balance, September 30, 2014	$ 2,646.3	$ 0.8	$ 1,275.3	$ (102.6)	$ 1,936.0	$ (616.0)	$ 152.8
Balance, January 1, 2013	$ 1,875.7	$ 0.8	$ 1,243.1	$ (12.6)	$ 392.7	$ (1.4)	$ 253.1
Issuance of common stock	9.5		9.5				
Deferred compensation	2.2		2.2				
Share repurchases	(399.9)					(399.9)	
Dividend paid to shareholders ($1.25 per share)	(94.8)		1.6		(96.4)		
Distributions to noncontrolling shareholders	(2.1)						(2.1)
Purchase of noncontrolling interest	(130.3)		(6.9)	(27.6)			(95.8)
Other comprehensive income, net of tax	74.2			72.8			1.4
Net income	1,159.3				1,160.1		(0.8)
Balance, September 30, 2013	$ 2,493.8	$ 0.8	$ 1,249.5	$ 32.6	$ 1,456.4	$ (401.3)	$ 155.8

See accompanying notes to condensed consolidated financial statements.

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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 September 30, 2014 and December 31, 2013, and the results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013, and cash flows and changes in stockholders equity for the nine months ended September 30, 2014 and 2013. All intercompany balances and transactions have been eliminated. 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.

In May 2014, the Company completed the purchase of a 49% equity interest in Windfield Holdings Pty Ltd (Windfield), which is the parent of Talison Lithium Pty. Ltd (Talison), thereby creating a joint venture with Sichuan Tianqi Lithium Industries Inc. (Tianqi) giving the Company an indirect ownership interest in Talison. See Note 2, Investment in Unconsolidated Affiliates, for further details. The Company s condensed consolidated statements of operations for the three and nine month periods ended September 30, 2013 were reclassified to conform to current-year presentation for the presentation of equity in earnings of unconsolidated affiliates and the Company s condensed consolidated balance sheet as of December 31, 2013 was reclassified to conform to current-year presentation for the presentation of investment in unconsolidated affiliates.

In July 2014, the Company, Albemarle Corporation (Albemarle) and the Merger Sub entered into an Agreement and Plan of Merger (the Merger Agreement). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into the Company, with the Company as the surviving entity (the Merger). As a result of the Merger, the Company will become a wholly-owned subsidiary of Albemarle. At the effective time of the Merger, each outstanding share of Rockwood common stock (other than shares owned, directly or indirectly, by Albemarle, the Company or Merger Sub or any stockholder who is entitled to demand and properly demands appraisal of such shares pursuant to, and who complies in all material respects with, Section 262 of the Delaware General Corporation Law) will convert into the right to receive (x) $50.65 in cash and (y) 0.4803 of a share of Albemarle common stock ((x) and (y) together, the Merger Consideration). The transaction is subject to Albemarle and Rockwood shareholder and regulatory approvals and other customary closing conditions and is expected to close by the end of the first quarter of 2015.

In the second quarter of 2014, the Company reorganized its Metal Sulfides business and began reporting it within its Surface Treatment segment. The Metal Sulfides business was previously reported in the Other category. As a result, the Company s condensed consolidated financial statements have been reclassified to reflect this segment change for all periods presented. See Note 4, Segment Information, for further details.

During 2013, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and in October 2014, sold 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 September 30, 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 3, Discontinued Operations and Note 20, Subsequent Events for further details of these transactions.

Noncontrolling interest represents the total of the noncontrolling party s interest in certain investments (principally the former Titanium

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Dioxide Pigments venture and the Timber Treatment joint venture) 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 September 30, 2014 exchange rate of 1.00 = $1.2631. For the three months ended September 30, 2014 and 2013 and the nine months ended September 30, 2014 and 2013, the average rate of exchange of the Euro to the U.S. dollar is $1.3249 and $1.3256, respectively, and $1.3557 and $1.3173, 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 September 30, 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 367.0 million ($463.6 million).

Recently Issued Accounting Standards:

In April 2014, the Financial Accounting Standards Board (FASB) 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.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued their final standard on revenue from contracts with customers. The standard, issued as an ASU by the FASB and as International Financial Reporting Standards 15 by the IASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for the Company in its first quarter beginning January 1, 2017 and is not expected to have a material impact on the Company s consolidated financial statements.

2. INVESTMENT IN UNCONSOLIDATED AFFILIATES:

In May 2014, the Company completed the purchase of a 49% equity interest in Windfield, which is the parent of Talison, thereby creating a joint venture with Tianqi, giving the Company an indirect ownership interest in Talison with cash on hand for an aggregate amount of $516.6 million, which includes the original purchase price of $475.3 million plus an adjustment for estimated net cash, certain other customary adjustments and professional fees. The Company s ownership in the joint venture is accounted for under the equity method of accounting.

As part of the transaction, Rockwood Specialties Group GmbH, a wholly-owned subsidiary of Rockwood, granted Tianqi an option to purchase from 20% to 30% of the equity interests in Rockwood Lithium GmbH, which is a wholly-owned subsidiary of Rockwood Specialties Group GmbH. Rockwood Lithium GmbH controls the European and Asian arms of Rockwood s global lithium business. The option is exercisable by Tianqi at any time through December 31, 2016 at an exercise price equal to the trailing 12-month EBITDA of Rockwood Lithium GmbH multiplied by 14, minus the debt of Rockwood Lithium GmbH, calculated based on the (indirect) portion

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of Rockwood Lithium GmbH that is subject to Tianqi s purchase, subject to adjustments based on the financial condition of Rockwood Lithium GmbH at the time of exercise.

Talison, a leading global producer of lithium for over 25 years, mines and processes lithium-bearing mineral spodumene at its operations located at Greenbushes, Western Australia (the Greenbushes Lithium Operations). The Greenbushes Lithium Operations are estimated to be the world s largest known reserves of lithium spodumene minerals. Talison has a leading position in the lithium concentrates market and produces two categories of lithium concentrates: (i) technical-grade lithium concentrates which have low iron content for use in the manufacture of glass, ceramics and heat-proof cookware; and (ii) a high-yielding chemical-grade lithium concentrate, which is used to produce lithium chemicals which form the basis for manufacture of lithium-ion batteries for laptop computers, mobile phones, electric bicycles and electric vehicles.

3. 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 $1.2 billion. 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, and in October 2014, the Company completed the sale of these businesses for an enterprise value of $1.275 billion, including the assumption of $225 million in pension obligations. The Company received net cash proceeds of approximately $950 million before investment banking fees of $8 million, which is subject to certain potential post-closing adjustments.

As of September 30, 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 nine months ended September 30, 2014, the Company recorded an additional charge of $101.3 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 are categorized as Level 3 in the fair value hierarchy, as the fair value was determined based on expected sale proceeds (see Note 6, 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 and nine months ended September 30, 2014 and 2013 are as follows:

($ in millions)	Advanced Ceramics	Clay-based Additives	TiO2 Pigments and Other	Total
Three months ended September 30, 2014				
Net sales	$	$	$ 395.1	$ 395.1
Income before taxes			34.8	34.8
Three months ended September 30, 2013				
Net sales	$ 91.7	$ 48.5	$ 404.1	$ 544.3
(Loss) income before taxes	(3.4)	7.7	(76.6)	(72.3)
Nine months ended September 30, 2014				
Net sales	$	$	$ 1,224.4	$ 1,224.4
Income before taxes			24.6	24.6
Nine months ended September 30, 2013				
Net sales	$ 384.6	$ 147.8	$ 1,233.8	$ 1,766.2
Income (loss) before taxes	46.7	33.1	(126.8)	(47.0)

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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 September 30, 2014 and December 31, 2013 are as follows:

($ in millions)	TiO2 Pigments and Other September 30, 2014		December 31, 2013	
ASSETS				
Accounts receivable, net	$	209.6	$	200.3
Inventories		406.4		401.9
Property, plant and equipment, net		831.1		749.2
Other intangible assets, net				64.3
Other assets		58.2		133.4
Total assets	$	1,505.3	$	1,549.1
LIABILITIES				
Accounts payable and other current liabilities	$	225.0	$	249.9
Pension and related liabilities		193.7		205.0
Other liabilities		33.3		31.6
Total liabilities	$	452.0	$	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 $7.3 million and $7.4 million in the assets of discontinued operations as of September 30, 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 $13.0 million and $13.6 million at September 30, 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 $7.1 million and $8.1 million in the liabilities of discontinued operations as of September 30, 2014 and December 31, 2013, respectively. These obligations primarily relate to post-closure reclamation of landfills in the Titanium Dioxide Pigments business.

During the nine months ended September 30, 2014, an out-of-period adjustment of $7.9 million was recorded to income from discontinued operations and deferred tax assets to recognize a tax benefit in relation to TiO2 Pigments and Other Businesses, and represented the correction of an immaterial error in the year ended December 31, 2013.

4. 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 3, Discontinued Operations, in 2013, the Company sold its Advanced Ceramics segment and Clay-based Additives business, and in October 2014, completed the sale of 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 wafer reclaim businesses.

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

($ in millions)	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Net Sales:								
Lithium	$	117.2	$	120.3	$	349.7	$	364.5
Surface Treatment		236.3		222.3		714.2		656.1
Other		2.8		3.2		9.2		10.2
Total	$	356.3	$	345.8	$	1,073.1	$	1,030.8

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.

($ in millions)	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Adjusted EBITDA:								
Lithium	$	53.9	$	43.1	$	139.8	$	139.0
Surface Treatment		57.8		50.9		167.5		145.0
Other		(11.1)		(12.4)		(37.2)		(38.9)
Total	$	100.6	$	81.6	$	270.1	$	245.1

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

($ in millions)	Identifiable Assets as of September 30, 2014		Identifiable Assets as of December 31, 2013	
Lithium	$	1,820.1	$	1,373.4
Surface Treatment		1,158.1		1,152.9
Other (a)		1,001.0		1,872.9
Eliminations (b)		(402.6)		(416.0)
Total (c)	$	3,576.6	$	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 $1,505.3 million and $1,549.1 million of identifiable assets at September 30, 2014 and December 31, 2013, respectively, from discontinued operations. Total identifiable assets including these amounts were $5,081.9 million and $5,532.3 million as of September 30, 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:

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($ in millions)	Lithium	Surface Treatment	Corporate and other	Consolidated
Three months ended September 30, 2014				
Income from continuing operations before taxes	$ 33.7	$ 42.5	$ 17.6	$ 93.8
Interest expense, net	(0.4)	2.9	11.0	13.5