

Rockwood Holdings, Inc.
Form 10-K
March 31, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2005

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
State or other jurisdiction of
incorporation or organization

52-2277366
(I.R.S. Employer
Identification No.)

100 Overlook Center, Princeton, New Jersey 08540

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(609) 514-0300**

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class		Name of each exchange on which registered
Common Stock, par value \$0.01 per share		New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of March 21, 2006 is \$602,867,187.

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As of March 21, 2006, there were 73,778,926 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference to the Proxy Statement for the 2006 Annual Meeting of Stockholders, which will be filed by April 30, 2006.

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PART I

Forward-Looking Statements

This document contains forward-looking statements. Forward-looking statements are not statements of historical fact and may involve a number of risks and uncertainties. Forward-looking statements give our current expectations or forecasts of future events and estimates of amounts not yet determinable. We have used the words anticipate, estimate, expect, project, intend, plan, believe, predict, could, may and terms of similar meaning, including references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those expressed in or implied by these forward-looking statements. In particular, these factors include, among other things:

our business strategy;

competitive pricing or product development activities affecting demand for our products;

fluctuations in interest rates, exchange rates and currency values;

availability and pricing of raw materials;

fluctuations in energy prices;

changes in the end-use markets in which our products are sold;

changes in the general economic conditions in North America and Europe and in other locations in which we currently do business;

technological changes affecting production of our materials;

our high level of indebtedness;

governmental and environmental regulations and changes in those regulations;

hazards associated with chemicals manufacturing;

risks associated with negotiating, consummating and integrating acquisitions;

risks associated with competition and the introduction of new competing products, especially in the Asia-Pacific region; and

risks associated with international sales and operations.

You should keep in mind that any forward-looking statements made by us in this Annual Report or elsewhere speak only as of the date on which we make them. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business.

Unless we indicate otherwise or the context otherwise requires, any references to we, our, us, the Company or Rockwood refer to Rockwood Holdings, Inc. and its consolidated subsidiaries.

General

Rockwood is a global developer, manufacturer and marketer of technologically advanced, high value-added specialty chemicals and advanced materials used for industrial and commercial purposes. Rockwood was incorporated in Delaware in September 2000 in connection with an acquisition of certain specialty chemical businesses from Laporte plc (Laporte) on November 20, 2000 (the KKR Acquisition). On July 31, 2004, we acquired the specialty chemicals and advanced materials businesses of Dynamit Nobel (the Dynamit Nobel Acquisition). See Note 3, Acquisitions for further detail. Through this acquisition, we have created a further diversified portfolio of distinct specialty chemicals and advanced materials businesses, combining two companies with similar service-driven cultures focused on high margins; expertise in inorganic chemistry; stable profitability; growth platforms; and proven management teams. In addition, we believe the Dynamit Nobel Acquisition bolsters

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our leading competitive positions by enhancing our ability to develop innovative products and solutions for our customers, expanding our technological knowledge and further reducing our exposure to any particular raw material or end-use market. Rockwood is controlled by affiliates of Kohlberg Kravis Roberts & Co. L.P. (KKR).

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Our products consist primarily of inorganic chemicals and solutions and engineered materials. They are often customized to meet the complex needs of our customers and to enhance the value and performance of their end products by improving performance, providing essential product attributes, lowering costs or making them more environmentally friendly. We generally compete in niche markets in a wide range of end-use markets, including construction, life sciences (including pharmaceutical and medical markets), electronics and telecommunications, metal treatment and general industrial and consumer products markets. No single end-use market accounted for more than 18% of our 2005 net sales.

We have a number of high growth businesses, which are complemented by a diverse portfolio of businesses that historically have generated stable revenues. Our margins, strong cash flow generation, capital discipline and ongoing productivity improvements provide us with a platform to capitalize on market growth opportunities.

We operate globally, manufacturing our products in over 100 manufacturing facilities in 25 countries and selling our products and providing our services to more than 60,000 customers, including some of the world's preeminent companies. We believe our products are generally critical to our customers' products' performance, but account for a small percentage of the total cost of their products. No single customer accounted for more than 2% of our 2005 net sales. For a geographic description of the origin of our net sales and location of our long-lived assets, see Note 4, Segment Information.

On August 22, 2005, the Company completed an initial public offering (IPO) of 23,469,387 shares of its common stock, which included 3,061,224 shares issued and sold as a result of the underwriters' exercise of the over-allotment option. See Note 2, Initial Public Offering, for further detail.

Following the Dynamit Nobel Acquisition, we operate our business through the following seven business segments: (1) Performance Additives; (2) Specialty Compounds; (3) Electronics; (4) Specialty Chemicals; (5) Titanium Dioxide Pigments; (6) Advanced Ceramics; and (7) Groupe Novasep. The following table sets forth for each of our seven segments net sales of such segment, and the percentage of our net sales for the year ended December 31, 2005, as well as our principal products and our principal end-use markets. For financial information about each segment, see Note 4, Segment Information.

Segment	2005 Net Sales		Principal Products	Principal End-Use Markets
	\$ in Millions	% of Total		
Performance Additives	\$ 680.7	22%	Iron oxide pigments Wood protection products Inorganic chemicals Synthetic and organic thickeners	Residential and commercial construction, coatings and plastics Coatings Personal care, paper manufacturing, foundries Pool products distributors, golf courses,

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				Branded specialty pool and spa performance chemicals	agriculture
Specialty Compounds	\$	237.5	7%	High specification compounds such as PVC and TPE	Voice and data transmission cables, food and beverage packaging, medical applications, footwear and automotive
Electronics	\$	181.8	6%	High purity chemicals and printed circuit board chemicals	Semi-conductors and printed circuit board manufacturing
				Photo-imaging masks	
				Recycling and repair service	

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Specialty Chemicals	\$	842.0	27%	Lithium compounds and chemicals	Automotive Pre-coating metal treatment and car body pre-treatment
				Metal surface treatment chemicals including corrosion protection/prevention oils	Steel and metal working
				Synthetic metal sulfides	Life sciences (pharmaceutical synthesis and polymers)
				Maintenance chemicals	Polymerization initiators for elastomers
					Aerospace
					Mobile batteries
					Disc brakes
					Aircraft industry
Titanium Dioxide Pigments	\$	430.5	14%	Titanium dioxide pigments	Synthetic fibers for clothing
				Barium compounds	Plastics
				Zinc compounds	Paper
				Flocculants	Paints and coatings
					Pharmaceutical contrast media
					Water treatment
Advanced Ceramics	\$	369.6	12%	Ceramic-on-ceramic ball head and liner components used in hip joint prostheses systems	Medical (hip replacement surgery)
				Ceramic tapes	Mechanical systems
				Cutting tools	Electronics

			Other ceramic components	
Groupe Novasep	\$	379.1	12%	Pharmaceuticals compounds (advanced intermediates and active ingredients)
				Pharmaceuticals
				Agro chemicals
				Flavors and fragrances
				Equipment engineering and manufacturing
	\$	3,121.2	100%	

Diverse Customer and End-Use Market Base. We operate a diverse portfolio of distinct specialty chemicals and advanced materials businesses. We have more than 60,000 customers worldwide that cover a wide variety of industries and geographic areas. Of our 2005 net sales, 51% were shipments to Europe, 33% to North America and 16% to the rest of the world. No customer accounted for more than 2% of such net sales, and our top ten customers represented only approximately 11% of such net sales. Our largest end-use market represented approximately 18% of such net sales. The following chart provides a breakdown of our 2005 net sales by end-use markets:

Within these end-use markets, there is further diversification by sector, product and region. For example, within the construction end-use market, our Performance Additives segment companies provide materials for new construction as well as companies that focus on remodeling and renovation. In addition, we serve construction materials clients in both the residential and commercial sectors located in North America, Europe and Asia. Within the life sciences end-use market, we serve a number of sectors, including: the medical applications sector through our Specialty Compounds and Advanced Ceramics segments; the pharmaceutical intermediates and active ingredients sector through our Groupe Novasep segment; and the pharmaceutical ingredients sector through our Specialty Chemicals segment.

Operating Segments

The following describes each of our operating segments, as well as the principal products or principal divisions within each segment.

Performance Additives (22% of 2005 net sales)

Our Performance Additives segment consists of business lines, which develop and manufacture a range of specialty chemicals that are used in industrial and consumer products and processes to enhance performance or cr