

ENGELHARD CORP  
Form 8-K  
July 29, 2003

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2003

**ENGELHARD CORPORATION**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

1-8142  
(Commission File Number)

22-1586002  
(I.R.S. Employer Identification No.)

101 Wood Avenue, Iselin, New Jersey  
(Address of principal executive offices)

08830  
(Zip Code)

Registrant's telephone number, including area code (732) 205-5000

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**Item 12. Results of Operations and Financial Condition.**

On July 29, 2003, Engelhard Corporation (the "Company") issued a press release announcing its earnings for its second quarter of fiscal year 2003. A copy of the release is furnished herewith as Exhibit 99.1.

The information furnished under this Item 12, including Exhibit 99.1, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENGELHARD CORPORATION

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(Registrant)

July 29, 2003

Date:

/s/ Michael A. Sperduto

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Michael A. Sperduto  
Vice President and  
Chief Financial Officer

**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | Press Release, dated July 29, 2003, relating to Engelhard Corporation's earnings release for the second quarter of 2003. |

EXHIBIT (99.1)

## News

**Contact**

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**Engelhard Corporation**

101 Wood Avenue  
P.O. Box 770  
Iselin, NJ 08830-0770

For immediate release

**ENGELHARD SECOND-QUARTER RESULTS  
IN LINE WITH EXPECTATIONS**

**ISELIN, NJ, July 29, 2003** - Engelhard Corporation (NYSE: EC) today reported net earnings for the second quarter ended June 30 of \$54.0 million, or 43 cents per share on a diluted basis, compared with \$60.1 million, or 46 cents per share, for the same period a year ago.

The current quarter included an after-tax charge of four cents per share related to a previously projected provision for the remaining lease cost of certain minerals-storage facilities no longer needed because of productivity initiatives. The prior year's quarter included an after-tax benefit of five cents per share stemming from insurance settlements and two charges amounting to four cents per share related to costs associated with manufacturing consolidations and the write down of an investment.

Second quarter sales were \$929 million compared with \$982 million a year ago reflecting continued lower volumes and prices of platinum group metals, which are passed through to customers.

"Market acceptance of new technology growth platforms coupled with our company-wide focus on productivity

SIGNATURES

enabled us to post another quarter of solid operating results without the benefit of significant economic recovery," said Barry W. Perry, chairman and chief executive officer.

Mr. Perry said he still expects the company to post modest earnings growth this year supported by the growth platforms and productivity focus, plus benefits from strong cash flow.

"We continue to be encouraged by the results our strategic focus has delivered in overcoming the harsh realities of today's marketplace," Mr. Perry said.

### **Second-Quarter Operating Results**

Operating earnings from Environmental Technologies increased 13% to \$31.5 million including the impact of a \$3.1 million charge in the year-ago quarter. Sales rose 23% to \$209 million. Excluding the charge, earnings increased 1% reflecting solid demand from mobile environmental markets. Higher pass-through cost of substrates sold to those markets plus the favorable effects of foreign exchange accounted for more than three-quarters of the sales increase.

Operating earnings from Process Technologies rose 7% to \$24.6 million, while sales rose 3% to \$140 million. Strong volumes of new petroleum refining catalyst and performance-enhancing additive technologies, plus solid results from polyolefin catalysts, more than offset the impact of higher energy costs.

Operating earnings from Appearance and Performance Technologies, including the impact of the current-quarter charge of \$7.8 million, decreased 25% to \$18.6 million. Sales rose 3% to \$175 million. Excluding the charge, earnings increased 7% resulting from higher demand for colors and special effects. The latter benefited from strong market acceptance of new effect technologies. Combined with productivity efforts, these favorable results more than offset higher energy costs and weakness in certain performance minerals markets.

Operating earnings from Materials Services declined 89% to \$3.0 million compared with the year-ago quarter which included an \$11.0 million gain from an insurance settlement. Sales were off 20% to \$394 million. Reduced industrial demand for platinum group metals and lower results from recycling services continue to impact the segment.

Engelhard Corporation is a surface and materials science company that develops technologies to improve customers' products and processes. A Fortune 500 company, Engelhard is a world-leading provider of technologies for environmental, process, appearance and performance applications. For more information, visit Engelhard on the Internet at [www.engelhard.com](http://www.engelhard.com).

Forward-looking statements: This document contains forward-looking statements in management's comments. There are a number of factors that could cause Engelhard's actual results to vary materially from those projected in the forward-looking statements. For a more thorough discussion of these factors, please refer to page 26 of Engelhard's 2002 Form 10-K, dated March 25, 2003.

**ENGELHARD CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
(Thousands, except per share data)  
(Unaudited)

|   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |              |
|---|--------------------------------|------------|------------------------------|--------------|
|   | 2003                           | 2002       | 2003                         | 2002         |
| Net sales   | \$ 929,358                     | \$ 982,314 | \$ 1,759,797                 | \$ 1,984,135 |
| Cost of sales   | 766,461                        | 805,158    | 1,447,339                    | 1,646,287    |
| Gross profit  | 162,897                        | 177,156    | 312,458                      | 337,848      |
| Selling, administrative and other expenses  | 88,400                         | 95,800     | 180,569                      | 183,411      |
| Special charge/(credit), net  | 7,802                          | (7,862)    | (11,978)                     | (7,862)      |
| Operating earnings  | 66,695                         | 89,218     | 143,867                      | 162,299      |
| Equity in earnings of affiliates  | 7,539                          | 4,408      | 13,177                       | 8,070        |
| Loss on investments   | -                              | (6,659)    | -                            | (6,659)      |
| Interest expense, net   | (4,753)                        | (6,868)    | (10,310)                     | (13,788)     |
| Earnings before income taxes  | 69,481                         | 80,099     | 146,734                      | 149,922      |
| Income tax expense  | 15,447                         | 20,024     | 33,764                       | 37,480       |
| Net earnings before cumulative effect of a change in accounting principle, net of tax | 54,034                         | 60,075     | 112,970                      | 112,442      |
| Cumulative effect of a change in accounting principle, net of tax of \$1,390          | -                              | -          | (2,269)                      | -            |
| Net earnings  | \$ 54,034                      | \$ 60,075  | \$ 110,701                   | \$ 112,442   |
| Earnings per share - basic:   |                                |            |                              |              |
| Earnings before cumulative effect of a change in accounting principle                 | \$ 0.43                        | \$ 0.47    | \$ 0.90                      | \$ 0.87      |
| Cumulative effect of a change in accounting principle, net of tax                     | -                              | -          | (0.02)                       | -            |
| Earnings per share - basic  | \$ 0.43                        | \$ 0.47    | \$ 0.88                      | \$ 0.87      |
| Earnings per share - diluted:   |                                |            |                              |              |
| Earnings before cumulative effect of a change in accounting principle                 | \$ 0.43                        | \$ 0.46    | \$ 0.89                      | \$ 0.85      |
| Cumulative effect of a change in accounting principle, net of tax                     | -                              | -          | (0.02)                       | -            |
| Earnings per share - diluted  | \$ 0.43                        | \$ 0.46    | \$ 0.87                      | \$ 0.85      |
| Cash dividends paid per share   | \$ 0.10                        | \$ 0.10    | \$ 0.20                      | \$ 0.20      |
| Average number of shares outstanding - basic  | 125,261                        | 128,707    | 126,067                      | 128,750      |
| Average number of shares outstanding - diluted  | 127,078                        | 131,673    | 127,566                      | 131,544      |
| Actual number of shares outstanding at end of period                                  | 125,296                        | 129,180    | 125,296                      | 129,180      |

Had compensation cost for Engelhard's stock option plans been determined based on the fair value at grant date consistent with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," (assuming SFAS No. 123 was adopted on its effective date of October 1995), Engelhard would have reported net earnings and diluted earnings per share as follows:

| Pro forma information (in millions, except per share data) | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |          |
|--|--------------------------------|---------|------------------------------|----------|
|  | 2003                           | 2002    | 2003                         | 2002     |
| Net earnings - as reported                                 | \$ 54.0                        | \$ 60.1 | \$ 110.7                     | \$ 112.4 |
| Net earnings - pro forma                                   | 52.6                           | 58.5    | 107.9                        | 109.3    |
| Diluted earnings per share - as reported                   | 0.43                           | 0.46    | 0.87                         | 0.85     |
| Diluted earnings per share - pro forma                     | 0.41                           | 0.44    | 0.85                         | 0.83     |

**ENGELHARD CORPORATION**  
**BUSINESS SEGMENT INFORMATION**  
(Thousands)  
(Unaudited)

|   | Three Months Ended<br>June 30, |            |          | Six Months Ended<br>June 30, |               |          |
|---|--------------------------------|------------|----------|------------------------------|---------------|----------|
|   | 2003                           | 2002       | Change   | 2003                         | 2002          | Change   |
| Net Sales   |                                |            |          |                              |               |          |
| Environmental Technologies  | \$ 209,153                     | \$ 170,564 | 23%      | \$ 422,693                   | \$ 335,005    | 26%      |
| Process Technologies  | 139,833                        | 136,407    | 3%       | 258,353                      | 251,852       | 3%       |
| Appearance and Performance Technologies   | 175,190                        | 170,632    | 3%       | 334,386                      | 323,002       | 4%       |
| Technology segments   | 524,176                        | 477,603    | 10%      | 1,015,432                    | 909,859       | 12%      |
| Materials Services  | 394,485                        | 495,564    | -20%     | 723,442                      | 1,056,293     | -32%     |
| All other   | 10,697                         | 9,147      | 17%      | 20,923                       | 17,983        | 16%      |
| Total net sales   | \$ 929,358                     | \$ 982,314 | -5%      | \$ 1,759,797                 | \$ 1,984,135  | -11%     |
| Operating Earnings  |                                |            |          |                              |               |          |
| Environmental Technologies  | \$ 31,489                      | \$ 27,983  | (B) 13%  | \$ 56,066                    | (D) \$ 67,644 | (B) -17% |
| Process Technologies  | 24,571                         | 22,972     | 7%       | 38,091                       | (E) 40,041    | -5%      |
| Appearance and Performance Technologies   | 18,613                         | (A) 24,720 | -25%     | 37,196                       | (A) 39,851    | -7%      |
| Technology segments   | 74,673                         | 75,675     | -1%      | 131,353                      | 147,536       | -11%     |
| Materials Services  | 3,031                          | 27,245     | (C) -89% | 7,484                        | 37,423        | (C) -80% |
| All other   | (11,009)                       | (13,702)   | 20%      | 5,030                        | (F) (22,660)  | 122%     |
| Total operating earnings  | 66,695                         | 89,218     | -25%     | 143,867                      | 162,299       | -11%     |
| Equity in earnings of affiliates  | 7,539                          | 4,408      | 71%      | 13,177                       | 8,070         | 63%      |
| Loss on investments   | -                              | (6,659)    | -        | -                            | (6,659)       | -        |
| Interest expense, net   | (4,753)                        | (6,868)    | -31%     | (10,310)                     | (13,788)      | -25%     |
| Earnings before income taxes  | 69,481                         | 80,099     | -13%     | 146,734                      | 149,922       | -2%      |
| Income tax expense  | 15,447                         | 20,024     | -23%     | 33,764                       | 37,480        | -10%     |
| Net earnings before cumulative effect of a change in accounting principle, net of tax | 54,034                         | 60,075     | -10%     | 112,970                      | 112,442       | -        |
| Cumulative effect of a change in accounting principle, net of tax of \$1,390          | -                              | -          | -        | (2,269)                      | -             | -        |
| Net earnings  | \$ 54,034                      | \$ 60,075  | -10%     | \$ 110,701                   | \$ 112,442    | -2%      |

(A) - Includes a charge of \$7.8 million (\$4.8 million after tax or \$0.04 per share) in 2003 related to lease commitments for idle facilities.



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- (B) - Includes a restructuring charge of \$3.1 million (\$1.9 million after tax or \$0.01 per share) in 2002.
- (C) - Includes an insurance settlement gain of \$11.0 million (\$6.8 million after tax or \$0.05 per share) in 2002.
- (D) - Includes a restructuring charge of \$5.3 million (\$3.5 million after tax or \$0.03 per share) in 2003.
- (E) - Includes a restructuring charge of \$2.6 million (\$1.6 million after tax or \$0.01 per share) in 2003.
- (F) - Includes a royalty settlement gain of \$28.4 million (\$17.6 million after tax or \$0.14 per share) and a Corporate restructuring charge of \$0.8 million (\$0.5 million after tax or less than \$0.01 per share) in 2003.

Note: All of the above per-share amounts are presented as diluted earnings per share.

### ENGELHARD CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Thousands) (Unaudited)

|   | <b>June 30,<br/>2003</b> | <b>December 31,<br/>2002</b> |
|---|--------------------------|------------------------------|
|   | <hr/>                    | <hr/>                        |
| Cash  | \$ 95,979                | \$ 48,246                    |
| Receivables, net                              | 346,687                  | 380,270                      |
| Committed metal positions                     | 328,565                  | 615,441                      |
| Inventories                                   | 439,407                  | 427,162                      |
| Other current assets                          | 88,927                   | 94,922                       |
|   | <hr/>                    | <hr/>                        |
| Total current assets                          | 1,299,565                | 1,566,041                    |
| Investments                                   | 137,413                  | 136,804                      |
| Property, plant and equipment, net            | 855,347                  | 860,475                      |
| Goodwill                                      | 272,685                  | 272,353                      |
| Other intangible and noncurrent<br>assets     | 191,426                  | 185,041                      |
|   | <hr/>                    | <hr/>                        |
| Total assets                                  | \$ 2,756,436             | \$ 3,020,714                 |
|   | <hr/>                    | <hr/>                        |
| Short-term borrowings                         | \$ 130,114               | \$ 348,749                   |
| Accounts payable                              | 210,257                  | 225,045                      |
| Hedged metal obligations                      | 304,064                  | 537,243                      |
| Other current liabilities                     | 268,548                  | 275,250                      |
|   | <hr/>                    | <hr/>                        |
| Total current liabilities                     | 912,983                  | 1,386,287                    |
| Long-term debt                                | 398,969                  | 247,805                      |
| Other noncurrent liabilities                  | 309,637                  | 309,455                      |
| Shareholders' equity                          | 1,134,847                | 1,077,167                    |
|   | <hr/>                    | <hr/>                        |
| Total liabilities and<br>shareholders' equity | \$ 2,756,436             | \$ 3,020,714                 |
|   | <hr/>                    | <hr/>                        |

**ENGELHARD CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Thousands)  
(Unaudited)

|   | Six Months Ended<br>June 30, |            |
|---|------------------------------|------------|
|   | 2003                         | 2002       |
| Cash flows from operating activities  |                              |            |
| Net earnings  | \$ 110,701                   | \$ 112,442 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                              |            |
| Depreciation and depletion  | 61,775                       | 52,632     |
| Amortization of intangible assets   | 1,649                        | 1,515      |
| Loss on investments   | -                            | 6,659      |
| Equity results, net of dividends  | (4,200)                      | (4,317)    |
| Net change in assets and liabilities:   |                              |            |
| Materials Services related  | 267,789                      | 7,706      |
| All other   | 880                          | (6,449)    |
| Net cash provided by operating activities   | 438,594                      | 170,188    |
| Cash flows from investing activities  |                              |            |
| Capital expenditures  | (39,934)                     | (46,196)   |
| Proceeds from investments   | 7,063                        | -          |
| Acquisitions and other investments  | -                            | (2,400)    |
| Net cash used in investing activities   | (32,871)                     | (48,596)   |
| Cash flows from financing activities  |                              |            |
| Decrease in short-term borrowings   | (218,563)                    | (20,008)   |
| Decrease in hedged metal obligations  | (209,601)                    | (11,708)   |

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|  | <b>Six Months Ended<br/>June 30,</b> |           |
|--|--------------------------------------|-----------|
|  |                                      |           |
| Repayment of long-term debt              | (184)                                | (153)     |
| Proceeds from issuance of long-term debt | 147,842                              | -         |
| Purchase of treasury stock               | (74,714)                             | (90,545)  |
| Cash from exercise of stock options      | 11,011                               | 45,335    |
| Dividends paid                           | (25,280)                             | (25,914)  |
|  |                                      |           |
| Net cash used in financing activities    | (369,489)                            | (102,993) |
| Effect of exchange rate changes on cash  | 11,499                               | 5,382     |
|  |                                      |           |
| Net increase in cash                     | 47,733                               | 23,981    |
| Cash at beginning of year                | 48,246                               | 33,034    |
|  |                                      |           |
| Cash at end of period                    | \$ 95,979                            | \$ 57,015 |
|  |                                      |           |