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IONICS INC
Form 8-K
August 01, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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) August 1, 2003

IONICS, INCORPORATED
(Exact name of registrant as specified in its charter)

| | | |
|---|------------------------------------|--|
| Massachusetts (State of incorporation) | 1-7211 (Commission File Number) | 04-2068530 (IRS Employer ID No.) |
| 65 Grove Street Watertown, MA (Address of principal executive offices) | 02472 (Zip Code) | (617) 926-2500 (Registrant's telephone number including area code) |

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Item 7. Financial Statements and Exhibits

(c) Exhibits

| Exhibit Number ----- | Description ----- |
|-------------------------|--|
| 99 | Press release dated August 1, 2003 regarding the financial results of Ionics, Incorporated for the second quarter ended June 30, 2003. |

Item 12. Results of Operations and Financial Condition

On August 1, 2003, Ionics, Incorporated issued a press release reporting financial results for the second quarter and first six months of 2003, ended June 30, 2003. A copy of the press release is attached hereto as Exhibit 99 and is hereby incorporated by reference.

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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 duly authorized.

IONICS, INCORPORATED

August 1, 2003

By: /s/Douglas R. Brown

Name: Douglas R. Brown

Title: Chief Executive Officer

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EXHIBIT 99

IONICS REPORTS SECOND QUARTER AND FIRST HALF RESULTS

WATERTOWN, MA, August 1, 2003... Ionics, Incorporated (NYSE-ION) today reported financial results for the quarter and six months ended June 30, 2003. For the quarter, revenues of \$90.9 million were up from \$79.5 million for the second quarter of 2002. The net loss for the quarter of \$4.9 million compared to net income of \$1.2 million for the second quarter of 2002, and the loss per share of \$0.28 for the quarter compared to earnings per share of \$0.07 for the second quarter of 2002.

Revenues for the first six months of 2003 were \$179.1 million, compared to \$159.5 million for the first six months of 2002. The net loss for the first six months of 2003 was \$4.3 million, or \$0.25 per share, compared to net income of

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\$2.7 million, or \$0.15 per share, for the first six months of 2002. Ending backlog on June 30, 2003 was \$346.0 million, compared to \$370.5 million one year earlier.

During the quarter, the Company's Trinidadian affiliate, Desalination Company of Trinidad and Tobago, Ltd. (Desalcott), completed long-term financing of the desalination plant with the bank that provided the construction financing. The proceeds were disbursed in July. Also during the quarter, the Company resolved the outstanding payment matters that were in dispute with Desalcott relating to the construction of the facility. In addition, the Company and Desalcott agreed to a price of \$7.7 million for the work required to complete the last phase of the facility, which will result in a 9% capacity increase. The Company recorded a \$3.4 million equity loss associated with Desalcott in the quarter, in large part attributable to the expenses associated with the close of the long-term financing.

Results for the quarter and six month period ended June 30, 2003 also included an asset impairment charge of \$4.0 million related to the decision to no longer utilize Cloromat sodium hypochlorite production equipment in the Company's consumer chemical operations.

Subsequent to the close of the quarter, Ionics purchased the assets of CoolerSmart LLC, located in New Castle, Delaware. CoolerSmart is a leading point-of-use water cooler rental company with over 10,000 water coolers placed throughout the mid-Atlantic region.

Ionics will broadcast its second quarter and first half financial results conference call via the internet today at 10:30AM, EDT. This conference call will be accessible on the Company's website at www.ionics.com. A recorded replay of the conference call will also be accessible on our website for a two-week period commencing at 5:00PM today. In addition, this press release will also be accessible on our website promptly following its issuance.

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Ionics is a global separations technology company involved in the manufacture and sale of membranes, equipment and own and operate services for the purification, disinfection, concentration, treatment and analysis of water, wastewater and ultrapure water. Over a period of more than 50 years Ionics has built more desalination plants than any company in the world.

Safe-harbor statement under the Private Securities Litigation Reform Act of 1995: Forward-looking statements in this news release involve risk and uncertainty. The statements contained in this release which are not historical facts are forward-looking statements. These forward-looking statements are based on management's current views and assumptions and are neither promises nor guarantees but are subject to risks, uncertainties and other factors that could cause actual results to differ materially from management's current expectations as described in such forward-looking statements, including overall economic and business conditions; competitive factors, such as acceptance of new products, pricing pressures and competition from competitors larger than the Company; risks of nonpayment of accounts receivable, including those from affiliated companies; risks associated with foreign operations; technological and product development risks; availability of manufacturing capacity; and other factors described in the Company's filings with the Securities and Exchange Commission,

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including its annual report on Form 10-K for the year ended December 31, 2002. You should not place undue reliance on the forward-looking statements in this press release, and the Company disavows any obligation to update or supplement those statements in the event of any changes in the facts, circumstances, or expectations that underlie those statements.

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IONICS REPORTS SECOND QUARTER AND FIRST HALF RESULTS

CONSOLIDATED STATEMENTS OF OPERATIONS (Amounts in thousands, except per share amounts)

| | Three months ended June 30, | | Six mo Jun |
|--|--------------------------------|-----------|---------------|
| | 2003 | 2002 | 2003 |
| | (as restated) | | |
| Revenues: | | | |
| Equipment Business Group | \$ 37,430 | \$ 35,944 | \$ 70,11 |
| Ultrapure Water Group | 23,615 | 25,440 | 48,86 |
| Consumer Water Group | 10,006 | 8,726 | 20,82 |
| Instrument Business Group | 6,879 | 6,810 | 14,55 |
| Affiliated companies | 13,006 | 2,577 | 24,78 |
| | 90,936 | 79,497 | 179,14 |
| Costs and expenses: | | | |
| Cost of sales of Equipment Business Group | 28,554 | 26,579 | 52,01 |
| Cost of sales of Ultrapure Water Group | 18,078 | 18,613 | 36,86 |
| Cost of sales of Consumer Water Group | 6,753 | 4,874 | 14,26 |
| Cost of sales of Instrument Business Group | 3,010 | 2,584 | 6,12 |
| Cost of sales to affiliated companies | 11,166 | 2,279 | 21,38 |
| Research and development | 1,954 | 1,594 | 3,73 |
| Selling, general and administrative | 22,827 | 21,545 | 45,37 |
| Impairment of long-lived assets | 3,981 | - | 3,98 |
| | 96,323 | 78,068 | 183,74 |
| (Loss) income from operations | (5,387) | 1,429 | (4,60) |
| Interest income, net | 491 | 492 | 1,05 |
| Equity (loss) income | (2,742) | 782 | (2,84) |
| (Loss) income before income taxes and minority interest expense | (7,638) | 2,703 | (6,39) |

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| | | | |
|---|------------|----------|-----------|
| Income tax (benefit) expense | (2,902) | 1,297 | (2,42) |
| | ----- | ----- | ----- |
| (Loss) income before minority interest expense | (4,736) | 1,406 | (3,96) |
| Minority interest expense | 188 | 161 | 38 |
| | ----- | ----- | ----- |
| Net (loss) income | \$ (4,924) | \$ 1,245 | \$ (4,34) |
| | ===== | ===== | ===== |
| Basic (loss) earnings per share | \$ (0.28) | \$ 0.07 | \$ (0.2) |
| | ===== | ===== | ===== |
| Diluted (loss) earnings per share | \$ (0.28) | \$ 0.07 | \$ (0.2) |
| | ===== | ===== | ===== |
| Shares used in basic (loss) earnings per share calculations | 17,564 | 17,547 | 17,55 |
| | ===== | ===== | ===== |
| Shares used in diluted (loss) earnings per share calculations | 17,564 | 17,707 | 17,55 |
| | ===== | ===== | ===== |
| Backlog | | | \$ 346,04 |
| | | | ===== |

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CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

| | June 30, 2003 | December 2002 |
|--|------------------|------------------|
| | ----- | ----- |
| Current assets: | | |
| Cash and cash equivalents | \$ 126,979 | \$ 136 |
| Restricted cash | - | 4 |
| Short-term investments | 1,033 | |
| Notes receivable, current | 7,092 | 6 |
| Accounts receivable, net | 83,907 | 94 |
| Receivables from affiliated companies | 47,491 | 23 |
| Inventories | 34,665 | 34 |
| Other current assets | 25,331 | 27 |
| | ----- | ----- |
| Total current assets | 326,498 | 328 |
| Receivables from affiliated companies, long-term | 17,935 | 11 |
| Notes receivable, long-term, net | 25,123 | 24 |
| Investments in affiliated companies | 19,078 | 22 |

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| | | |
|---|------------|--------|
| Property, plant and equipment, net | 179,537 | 179 |
| Other assets | 40,742 | 40 |
| | ----- | ----- |
| Total assets | \$ 608,913 | \$ 608 |
| | ===== | ===== |
| Current liabilities: | | |
| Notes payable and current portion of long-term debt | \$ 5,075 | \$ 4 |
| Accounts payable | 28,619 | 36 |
| Deferred revenue and advances from affiliated companies | 11,816 | 4 |
| Other current liabilities | 63,060 | 69 |
| | ----- | ----- |
| Total current liabilities | 108,570 | 114 |
| Long-term debt and notes payable | 9,421 | 9 |
| Deferred income taxes | 36,376 | 35 |
| Deferred revenue from affiliated companies, long-term | 3,916 | 4 |
| Other liabilities | 7,950 | 6 |
| Stockholders' equity | 442,680 | 438 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 608,913 | \$ 608 |
| | ===== | ===== |

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For more information, contact:

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