Chemtura CORP
Form 10-Q
July 30, 2013
Table of Contents

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 June 30, 2013

OR

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

For the transition period from to

(Commission File Number) 1-15339

CHEMTURA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**52-2183153**
	(I.R.S. Employer Identification Number)

(State or other jurisdiction of incorporation or organization)

1818 Market Street, Suite 3700, Philadelphia, Pennsylvania	**19103**
199 Benson Road, Middlebury, Connecticut	**06749**
(Address of principal executive offices)	(Zip Code)

(203) 573-2000

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed from last report)

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. x Yes o No

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 the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

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 definition of large accelerated filer, accelerated filer, non-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 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). o Yes x No

The number of shares of common stock outstanding as of the latest practicable date is as follows

Class	**Number of shares outstanding at June 30, 2013**
Common Stock - $.01 par value	98,606,846

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2013

INDEX		PAGE
PART I.	FINANCIAL INFORMATION	2
ITEM 1.	Financial Statements	2
Consolidated Statements of Operations (Unaudited)		2
Consolidated Statements of Comprehensive (Loss) Income (Unaudited)		3
Consolidated Balance Sheets (Unaudited)		4
Condensed Consolidated Statements of Cash Flows (Unaudited)		5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)		6
ITEM 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	34
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	47
ITEM 4.	Controls and Procedures	48
PART II.	OTHER INFORMATION	49
ITEM 1.	Legal Proceedings	49
ITEM 1A.	Risk Factors	49
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	49
ITEM 4.	Mine Safety Disclosure	50
ITEM 5.	Other Information	50
ITEM 6.	Exhibits	50
SIGNATURE		51

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

Quarters and six months ended June 30, 2013 and 2012

(*In millions, except per share data*)

	Quarters ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net sales	$ 735	$ 741	$ 1,341	$ 1,359
Cost of goods sold	548	542	1,028	997
Selling, general and administrative	67	72	137	151
Depreciation and amortization	31	30	62	59
Research and development	11	11	20	23
Facility closures, severance and related costs	11	7	25	7
Changes in estimates related to expected allowable claims				2
Equity loss	1	1	3	2
Operating income	66	78	66	118
Interest expense	(15)	(16)	(31)	(30)
Other income, net	12	5	15	2
Reorganization items, net	(1)	(1)	(1)	(3)
Earnings from continuing operations before income taxes	62	66	49	87
Income tax expense	(15)	(13)	(23)	(12)
Earnings from continuing operations	47	53	26	75
Earnings (loss) from discontinued operations, net of tax	6	(2)	4	(2)
Loss on sale of discontinued operations, net of tax	(146)		(146)	
Net (loss) earnings	(93)	51	(116)	73
Less: Net earnings attributed to non-controlling interests		(1)		(1)
Net (loss) earnings attributable to Chemtura	$ (93)	$ 50	$ (116)	$ 72
Basic per share information - attributable to Chemtura				
Earnings from continuing operations	$ 0.48	$ 0.53	$ 0.26	$ 0.76
Earnings (loss) from discontinued operations, net of tax	0.06	(0.03)	0.04	(0.03)
Loss on sale of discontinued operations, net of tax	(1.48)		(1.48)	
Net (loss) earnings attributable to Chemtura	$ (0.94)	$ 0.50	$ (1.18)	$ 0.73
Diluted per share information - attributable to Chemtura				
Earnings from continuing operations	$ 0.47	$ 0.53	$ 0.26	$ 0.76
Earnings (loss) from discontinued operations, net of tax	0.06	(0.03)	0.04	(0.03)
Loss on sale of discontinued operations, net of tax	(1.46)		(1.47)	

Net (loss) earnings attributable to Chemtura	$	(0.93)	$	0.50	$	(1.17)	$	0.73
Weighted average shares outstanding - Basic		98.6		98.9		98.4		98.6
Weighted average shares outstanding - Diluted		99.7		99.1		99.6		99.1

See accompanying notes to Consolidated Financial Statements.

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Quarters and six months ended June 30, 2013 and 2012

(*In millions*)

	Quarters ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net (loss) earnings	$ (93)	$ 51	$ (116)	$ 73
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(18)	(44)	(41)	(22)
Unrecognized pension and other post-retirement benefit costs	138	(3)	137	(1)
Comprehensive income (loss)	27	4	(20)	50
Comprehensive income attributable to non-controlling interests		(1)		(1)
Comprehensive income (loss) attributable to Chemtura	$ 27	$ 3	$ (20)	$ 49

See accompanying notes to Consolidated Financial Statements

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2013 (Unaudited) and December 31, 2012

(*In millions, except par value data*)

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 306	$ 363
Accounts receivable, net	539	405
Inventories, net	521	468
Other current assets	165	142
Current assets of discontinued operations		234
Total current assets	1,531	1,612
NON-CURRENT ASSETS		
Property, plant and equipment, net	752	719
Goodwill	173	177
Intangible assets, net	333	348
Other assets	165	174
Total assets	$ 2,954	$ 3,030
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 457	$ 5
Accounts payable	238	175
Accrued expenses	208	194
Income taxes payable	15	12
Current liabilities of discontinued operations		125
Total current liabilities	918	511
NON-CURRENT LIABILITIES		
Long-term debt	437	871
Pension and post-retirement health care liabilities	346	393
Other liabilities	201	187
Total liabilities	1,902	1,962
STOCKHOLDERS EQUITY		
Common stock - $0.01 par value Authorized - 500.0 shares Issued - 100.5 shares at June 30, 2013 and 100.4 shares at December 31, 2012	1	1
Additional paid-in capital	4,369	4,366
Accumulated deficit	(2,964)	(2,848)
Accumulated other comprehensive loss	(332)	(428)
Treasury stock- at cost - 1.8 shares at June 30, 2013 and 2.4 shares at December 31, 2012	(23)	(30)
Total Chemtura stockholders equity	1,051	1,061
Non-controlling interest - continuing operations	1	
Non-controlling interest - discontinued operations		7
Total Non-controlling interest	1	7
Total stockholders equity	1,052	1,068
Total liabilities and stockholders equity	$ 2,954	$ 3,030

See accompanying notes to Consolidated Financial Statements.

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

Six months ended June 30, 2013 and 2012

(*In millions*)

	Six months ended June 30,			
	2013		2012	
Increase (decrease) in cash				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) earnings	$	(116)	$	73
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:				
Loss on sale of discontinued operations		146		
Impairment charges				1
Release of cumulative translation adjustment from liquidation of entities		(15)		
Depreciation and amortization		64		68
Stock-based compensation expense		8		10
Reorganization items, net				1
Changes in estimates related to expected allowable claims				2
Equity income		1		(1)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:				
Accounts receivable		(147)		(136)
Inventories		(60)		(36)
Accounts payable		74		55
Pension and post-retirement health care liabilities		(28)		(53)
Other		(4)		(2)
Net cash used in operating activities		(77)		(18)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from divestments, net		91		9
Payments for acquisitions		(3)		
Capital expenditures		(87)		(58)
Net cash provided by (used in) investing activities		1		(49)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on Term Loan		(2)		
Proceeds from ABL Facility, net				25
Proceeds from A/R Financing Facility, net				3
Proceeds from other long-term borrowings		23		
Payments on other long-term borrowings		(2)		
Payments on other short-term borrowings, net		(1)		(3)
Common shares acquired				(10)
Payment for debt issuance costs				(1)
Proceeds from exercise of stock options		4		1
Net cash provided by financing activities		22		15
CASH AND CASH EQUIVALENTS				
Effect of exchange rates on cash and cash equivalents		(5)		(3)
Change in cash and cash equivalents		(59)		(55)
Cash and cash equivalents at beginning of period		365		180
Cash and cash equivalents at end of period	$	306	$	125
Cash and cash equivalents at end of period - Continuing operations	$	306	$	123
Cash and cash equivalents at end of period - Discontinued operations	$		$	2

See accompanying notes to Consolidated Financial Statements.

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chemtura Corporation together with our consolidated subsidiaries, is dedicated to delivering innovative, application-focused specialty chemical and consumer product offerings. Our corporate headquarters is located at 1818 Market Street, Suite 3700, Philadelphia, PA 19103. Our principal executive offices are located at 1818 Market Street, Suite 3700, Philadelphia, PA 19103 and at 199 Benson Road, Middlebury, CT 06749. We operate in a wide variety of end-use industries including agriculture, automotive, construction, electronics, lubricants, packaging, plastics for durable and non-durable goods, pool and spa chemicals, and transportation.

When we use the terms Corporation, Company, Chemtura, Registrant, We, Us and Our, unless otherwise indicated or the context other requires, we are referring to Chemtura Corporation and our consolidated subsidiaries.

We are the successor to Crompton & Knowles Corporation (Crompton & Knowles), which was incorporated in Massachusetts in 1900 and engaged in the manufacture and sale of specialty chemicals beginning in 1954. Crompton & Knowles traces its roots to the Crompton Loom Works incorporated in the 1840s. We expanded the specialty chemical business through acquisitions in the United States and Europe, including the 1996 acquisition of Uniroyal Chemical Company, Inc. (Uniroyal), the 1999 merger with Witco Corporation (Witco) and the 2005 acquisition of Great Lakes Chemical Corporation (Great Lakes).

The information in the foregoing Consolidated Financial Statements for the quarters and six months ended June 30, 2013 and 2012 is unaudited but reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise disclosed in the accompanying notes to our Consolidated Financial Statements.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Chemtura and our wholly-owned and majority-owned subsidiaries that we control. Other affiliates in which we have a 20% to 50% ownership interest or a non-controlling majority interest are accounted for in accordance with the equity method. Other investments in which we have less than 20% ownership are recorded at cost. All significant intercompany balances and transactions have been eliminated in consolidation.

Our Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain prior year amounts have been reclassified to conform to the current year s presentation of discontinued operations (see Note 2 - Acquisitions and Divestitures). These changes did not have a material impact on previously reported results of operations, cash flows or financial position.

We operated as a debtor-in-possession (DIP) under the protection of the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) from March 18, 2009 (the Petition Date) through November 10, 2010 (the Effective Date). From the Petition Date through the Effective Date, our Consolidated Financial Statements were prepared in accordance with Accounting Standards Codification (ASC) Section 852-10-45, *Reorganizations Other Presentation Matters* (ASC 852-10-45) which requires that financial statements, for periods during the pendency of our voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Chapter 11) filings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and expenses for losses that are realized or incurred in the Chapter 11 cases are recorded in Reorganization items, net in our Consolidated Statements of Operations. As of June 30, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

Table of Contents

The interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes included in our Annual Report on Form 10-K for the period ended December 31, 2012 (the 2012 Annual Report on Form 10-K). The consolidated results of operations for the quarter and six months ended June 30, 2013 are not necessarily indicative of the results expected for the full year.

Accounting Policies and Other Items

Cash and cash equivalents include bank term deposits with original maturities of three months or less.

Included in accounts receivable are allowances for doubtful accounts of $13 million as of June 30, 2013 and December 31, 2012.

During the six months ended June 30, 2013 and 2012, we made interest payments of approximately $32 million and $29 million, respectively. During the six months ended June 30, 2013 and 2012, we made payments for income taxes (net of refunds) of $8 million and $22 million, respectively.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). The guidance in ASU 2013-02 requires an organization to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance in ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our results of operations or financial position because it only provides for enhanced disclosure requirements. Accordingly, we have included the enhanced footnote disclosure (see Note 9 - Accumulated Other Comprehensive Loss).

In March 2013, the FASB issued ASU 2013-05, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*(ASU 2013-05) . The amendments in ASU 2013-05 address the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013 (early adoption is permitted). We do not anticipate the adoption of this amendment will have a material impact on our financial statements.

2) **ACQUISITIONS AND DIVESTITURES**

Acquisitions

Solaris Acquisition

On September 26, 2012, we announced that we entered into a Business Transfer Agreement (BTA) with Solaris ChemTech Industries Limited (Solaris ChemTech), an Indian Company, and Avantha Holdings Limited, an Indian Company and the parent company of Solaris ChemTech (collectively, Solaris). As provided in the BTA, we have agreed to purchase from Solaris certain assets used in the manufacture and distribution of bromine and bromine chemicals for cash consideration of $142 million and the assumption of certain liabilities. The purchase price is subject to a post-closing net working capital adjustment. The transaction is subject to, among other things, receiving approval for the transfer of rights to the brine resources from which bromine is extracted. The transaction is expected to close upon receipt of those approvals, the date of which is not yet known.

DayStar Acquisition

On May 15, 2013, we purchased the remaining 50% interest in DayStar Materials L.L.C. (DayStar) from our partner UP Chemical Co., Ltd. and DayStar became a consolidated entity. The purchase price was $3 million in cash which approximated the fair value of the remaining share of the assets and liabilities, primarily inventory and fixed assets, as of the purchase date. In addition we reimbursed UP Chemical Co. Ltd. for a $3 million loan they had made to DayStar.

Table of Contents

Divestitures

Antioxidant Divestiture

On April 30, 2013, we completed the sale of our Antioxidant business to SK Blue Holdings, Ltd, (SK) and Addivant USA Holdings Corp. (Addivant) for consideration of $97 million, $9 million in preferred stock issued by Addivant, a seller note in the amount of $1 million issued by an affiliate of Addivant and the assumption by SK and Addivant of pension, environmental and other liabilities totaling approximately $91 million. The cash consideration and seller note are subject to further adjustment depending on the finalization of pension assets and liabilities transferred to Addivant and a working capital adjustment. We recognized a pre-tax loss of $159 million ($146 million after-tax), which included $119 million of non-cash charges related to the release of accumulated other comprehensive loss (AOCL) associated with the pension obligations transferred, the release of cumulative translation adjustments and the release of our non-controlling interest in a Korean joint venture. In connection with the sale, we entered into several ancillary agreements, including supply agreements, a distribution agreement, and a transition service agreement.

As a result of entering into this transaction beginning in 2012, we determined that discontinued operations treatment applied. Assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations as of December 31, 2012. Additionally, earnings and direct costs associated with the Antioxidant business for the periods prior to the date of sale have been presented as earnings (loss) from discontinued operations, net of tax for the current and comparative periods. All applicable disclosures included in the accompanying footnotes have been updated to reflect the Antioxidant business as a discontinued operation.

The following is a summary of the assets and liabilities sold or settled related to the Antioxidant business as of April 30, 2013 and the assets and liabilities of discontinued operations as of December 31, 2012.

(In millions)	**April 30, 2013**	**December 31, 2012**
Cash and cash equivalents	$ 2	$ 2
Accounts and trade receivable	70	61
Inventories	76	78
Other current assets	2	4
Property, plant and equipment	48	44
Intangible assets, net	14	14
Other assets	33	31
Assets	245	234
Accounts payable	$ 39	$ 29
Accrued expenses	2	4
Income taxes payable		1
Pension and post-retirement health care liabilities	78	80
Other liabilities	11	11
Liabilities	130	125
Net Assets	$ 115	$ 109

Assets sold or settled consisted primarily of plant facilities located at Morgantown, West Virginia, Bay Minette, Alabama, Waldkraiburg, Germany and Catenoy, France; our shares in the Asia Stabilizers joint venture, located in Korea, a previously controlled consolidated entity; our

shares in Gulf Stabilizers Industries, located in Saudi Arabia, a previously 49% owned equity method investment; certain dedicated operating equipment located at Latina, Italy and Elmira, Canada; intangible assets and working capital associated with the Antioxidants business.

We retained ownership of certain manufacturing assets that will be used to meet our performance obligations under the supply agreements in Canada, Italy, the United States, Taiwan, Mexico, and Brazil. The minimum terms of the supply agreements range from two to five years. Based on the terms of the supply agreements and the forecasted costs to meet our obligations under those agreements, we have fair valued the supply agreements using Level 3 fair value techniques and included a $13 million charge to the loss on sale of discontinued operations in our Consolidated Statement of Operations.

The following table reconciles the cash proceeds to the pre-tax loss on the sale:

Table of Contents

(In millions)		June 30, 2013
Cash consideration	$	97
Retained working capital and other adjustments		(10)
Cash proceeds received at closing		87
Preferred stock and promissory note		10
Less direct items:		
Net assets sold or settled		115
Transaction costs and other (1)		4
Post closing obligations and other, net		5
Fair value of supply agreements		13
Less non-cash items:		
Release of AOCL - pension		120
Release of AOCL - cumulative translation adjustment		6
Release of non-controlling interest		(7)
Pre-tax loss on sale of discontinued operations	$	(159)

(1) Transaction costs include legal fees and other direct costs incurred to sell the business since April 1, 2013.

At closing, the cash consideration was subject to the retention of certain assets, the finalization of pension assets and liabilities and the change in certain working capital components through the closing date. The asset purchase agreement provides a customary mechanism for finalizing any adjustments to the working capital base. We anticipate finalizing the working capital adjustment in the second half of 2013. To the extent the net pension liabilities transferred to Addivant become finalized during that period, the value of the seller note will be increased or decreased by an equal amount to reflect the change accordingly. Should the seller note be extinguished by these adjustments, cash considerations will also be adjusted.

Included as part of the consideration, we received 9.2 million shares of Series A Preferred Stock of Addivant with a face value of $9 million. These shares accrue dividends at escalating rates beginning at 7% in the first year and up to 11% in the third year and beyond which are payable upon declaration. Additionally, we received a note from Addivant Switzerland GmbH for approximately $1 million which bears interest at 5.5% annually and is repayable over a 4 year period. The seller note is subject to further adjustment depending on the finalization of pension assets and liabilities transferred to Addivant.

Earnings (loss) from discontinued operations for the quarters and six months ended June 30, 2013 and 2012 consist of the following:

	Quarters ended June 30,				Six months ended June 30,			
(In millions)	2013		2012		2013		2012	
Net sales	$	33	$	104	$	123	$	194
Pre-tax earnings (loss) from discontinued operations	$	6	$	(8)	$	4	$	(8)
Income tax benefit				6				6
Earnings (loss) from discontinued operations, net of taxes		6		(2)		4		(2)
Net earnings attributable to non-controlling interests				(1)				(1)
Earnings (loss) from discontinued operations	$	6	$	(3)	$	4	$	(3)

A portion of certain functional and other expenses that are managed company-wide that are allocated to the Antioxidant business were not transferred directly under the Antioxidant Sale. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. These costs approximate $2 million and $4 million for the second quarters of 2013 and 2012, respectively, and $6 million and $8 million for the six months ended June 30, 2013 and 2012, respectively.

Table of Contents

Tetrabrom Joint Venture Divestiture

On November 28, 2011, we sold our 50% interest in Tetrabrom Technologies Ltd. for net consideration of $38 million. The consideration is being paid over a three year period. The first and second payments, net of tax, were paid in April 2012 and April 2013. A pre-tax gain of $27 million was recorded on the sale in the fourth quarter of 2011.

3) **RESTRUCTURING AND ASSET IMPAIRMENT ACTIVITIES**

Restructuring

On February 22, 2013, our Board of Directors (the Board) approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. This plan is expected to preserve pre-divestiture operating margins following our portfolio changes. The total cost of the restructuring plan is estimated to be between $35 million and $45 million, primarily for severance and related costs, accelerated depreciation of property, plant and equipment, and asset retirement obligations. Non-cash charges are estimated to be between $9 million and $11 million with a net cash cost of between $26 million and $34 million. We recorded a pre-tax charge of $14 million in the first quarter of 2013 which included $11 million for severance and related costs and $3 million related to professional fees. We recorded a pre-tax charge of $11 million in the second quarter of 2013 which included $5 million for severance and related costs and $6 million related to professional fees, and expect all but approximately $4 million to $8 million to be incurred throughout 2013. The remainder related to accelerated depreciation and decommissioning costs that are expected to be expensed as incurred over a number of years.

On April 30, 2012, our Board approved a restructuring plan providing for, among other things, the closure of our Antioxidant business manufacturing facility in Pedrengo, Italy. The Board also approved actions to improve the operating effectiveness of certain global corporate functions. This plan is intended to achieve significant gains in efficiency and costs. The total cost of the restructuring plan was estimated to be approximately $40 million of which approximately $6 million will consist of non-cash charges. During 2012, we recorded pre-tax charges of $33 million which included $4 million for accelerated depreciation of property, plant and equipment included in depreciation and amortization, $2 million for accelerated asset retirement obligations included in cost of goods sold, $12 million for severance and professional fees related to corporate initiatives, $5 million for severance and other obligations related to the Pedrengo closure and $10 million reflecting the write-off of a receivable for which collection is no longer probable as a result of these restructuring actions. We recorded an additional pre-tax charge of $1 million in the six months ended June 30, 2013, primarily for accelerated depreciation and relocation costs related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, as this plant formed part of our Antioxidants business. The Pedrengo plant ceased operations on March 31, 2013 and asset retirement work has begun. We have retained this property under the terms of the sale of the Antioxidants business and anticipate selling it after all facility retirement and remediation work is completed.

A summary of the changes in the liabilities established for restructuring programs is as follows:

(In millions)	Severance and Related Costs	Other Facility Closure Costs	Total
Balance at December 31, 2012	$ 8	$	$ 8

2013 charge	16	9	25
Cash payments	(4)	(5)	(9)
Balance at June 30, 2013	$ 20	$ 4	$ 24

At June 30, 2013, $20 million of these reserves were included in accrued expenses and $4 million were included in accounts payable in our Consolidated Balance Sheet. At December 31, 2012, the balance of these reserves were included in accrued expenses in our Consolidated Balance Sheet.

Asset Impairment Review

During the first quarter of 2013, we completed an assessment of an initiative to monetize the assets of one of our businesses. As of March 31, 2013, we considered it more-likely-than-not that the initiative would become effective during 2013. In performing the impairment analysis, we probability weighted the possible outcomes of the initiative as of March 31, 2013. Based on this analysis, the expected undiscounted cash flows were sufficient to recover the carrying values of assets of the business component to which the initiative relates. As a result, we concluded that no impairment existed at March 31, 2013. There were no material changes in our assumptions related to this initiative during the quarter ended June 30, 2013. However, changes in the underlying details or probability of occurrence of the initiative could materially impact the results of our analysis in future quarters.

Table of Contents

4) INVENTORIES

(In millions)	June 30, 2013	December 31, 2012
Finished goods	$ 346	$ 320
Work in process	40	33
Raw materials and supplies	135	115
	$ 521	$ 468

Included in the above net inventory balances are inventory obsolescence reserves of approximately $19 million and $17 million at June 30, 2013 and December 31, 2012, respectively.

5) PROPERTY, PLANT AND EQUIPMENT

(In millions)	June 30, 2013	December 31, 2012
Land and improvements	$ 71	$ 72
Buildings and improvements	230	223
Machinery and equipment	1,233	1,221
Information systems equipment	189	189
Furniture, fixtures and other	30	30
Construction in progress	149	111
	1,902	1,846
Less: accumulated depreciation	1,150	1,127
	$ 752	$ 719

Depreciation expense from continuing operations was $24 million and $23 million for the quarters ended June 30, 2013 and 2012, respectively, and $47 million and $44 million for the six months ended June 30, 2013 and 2012, respectively.

6) GOODWILL AND INTANGIBLE ASSETS

Our goodwill balance was $173 million at June 30, 2013 and $177 million at December 31, 2012. The decrease in goodwill since December 31, 2012 was due to foreign currency translation. The goodwill is allocated to the Industrial Performance Products segment. The goodwill balance at June 30, 2013 and December 31, 2012 reflected accumulated impairments of $90 million.

We have elected to perform our annual goodwill impairment procedures for all of our reporting units in accordance with ASC Subtopic 350-20, *Intangibles Goodwill and Other - Goodwill* (ASC 350-20) as of July 31, or sooner, if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We estimate the fair value of our reporting units utilizing income and market approaches through the application of discounted cash flow and market comparable methods (Level 3 inputs as described in Note 14 Financial Instruments and Fair Value Measurements). The assessment is required to be performed in two steps: step one to test for a

potential impairment of goodwill and, if potential impairments are identified, step two to measure the impairment loss through a full fair valuing of the assets and liabilities of the reporting unit utilizing the acquisition method of accounting. We concluded that no goodwill impairment existed in any of our reporting units based on the annual review as of July 31, 2012.

We continually monitor and evaluate business and competitive conditions that affect our operations and reflects the impact of these factors in our financial projections. If permanent or sustained changes in business or competitive conditions occur, they can lead to revised projections that could potentially give rise to impairment charges.

Table of Contents

Our intangible assets (excluding goodwill) are comprised of the following:

(In millions)	June 30, 2013 Gross Cost	June 30, 2013 Accumulated Amortization	June 30, 2013 Net Intangibles	December 31, 2012 Gross Cost	December 31, 2012 Accumulated Amortization	December 31, 2012 Net Intangibles
Patents	$ 110	$ (68)	$ 42	$ 110	$ (66)	$ 44
Trademarks	235	(71)	164	238	(68)	170
Customer relationships	129	(45)	84	130	(42)	88
Production rights	46	(34)	12	46	(32)	14
Other	73	(42)	31	74	(42)	32
Total	$ 593	$ (260)	$ 333	$ 598	$ (250)	$ 348

The decrease in gross intangible assets since December 31, 2012 is primarily due to foreign currency translation of $7 million and retirements of $2 million offset by additions of $4 million.

Amortization expense from continuing operations related to intangible assets amounted to $7 million for the quarters ended June 30, 2013 and 2012, and $15 million for the six months ended June 30, 2013 and 2012.

7) DEBT

Our debt is comprised of the following:

(In millions)	June 30, 2013	December 31, 2012
7.875% Senior Notes due 2018	$ 453	$ 452
Term Loan due 2016	416	418
Other borrowings	25	6
Total Debt	894	876
Less: Other short-term borrowings	(3)	(3)
Less: Current portion of Term Loan	(100)	(2)
Less: Current portion of Senior Notes	(354)	
Total Long-term debt	$ 437	$ 871

Tender Offer & New Bond Offering

On June 10, 2013, we launched a cash tender offer and consent solicitation with respect to any and all of our outstanding $455 million aggregate principal amount of 7.875% Senior Notes due 2018 (the Senior Notes) pursuant to our Offer to Purchase and Consent Solicitation Statement (the Offer to Purchase). The requisite consent solicitation is required to adopt proposed amendments to the indenture governing the Senior Notes (the Indenture) that would eliminate substantially all of the restrictive covenants, certain events of default and related provisions contained in the Indenture. Subject to the terms and conditions set forth in the Offer to Purchase, holders who validly tendered their notes on or prior to June 21,

2013 (the Consent Date) were to receive total consideration of $1,117.50 per $1,000 principal amount of Senior Notes accepted for purchase, which included a consent payment of $30 per $1,000 principal amount of Notes. As of July 5, 2013, holders of $348 million or approximately 76.56% of the Senior Notes, had tendered their Senior Notes in the Offer and Solicitation and consented to the proposed amendments to the Indenture.

On July 8, 2013, we amended the terms of the offer to extend the expiration date to July 19, 2013 to meet the terms of the Financing Condition (as defined in the Offer to Purchase). Holders who validly tender their Senior Notes after the Consent Date but on or prior to July 19, 2013, would receive the tender offer consideration of $1,087.50 per $1,000 principal amount of Senior Notes accepted for purchase but were not entitled to the consent payment. As of July 19, 2013, additional holders of $6 million or approximately 1.33% of Senior Notes, had tendered their Senior Notes in the Offer and Solicitation and consented to the proposed amendments to the Indenture.

On July 18, 2013, we undertook a public offering of $450 million of 5.75% Senior Notes due 2021 (2021 Senior Notes), for the purposes of funding the purchase under the terms of the Offer to Purchase all of the Senior Notes tendered, expenses related to the offering and a repayment of our senior secured term loan facility due 2016 (the Term Loan). On July 23, 2013 the

Table of Contents

2021 Senior Notes offering closed and the majority of the proceeds were used to complete the purchase of the Senior Notes tendered in response to the Offer to Purchase. With the purchase of the Senior Notes complete, the amendments to the Indenture that eliminate substantially all of the restrictive covenants, certain events of default and related provisions became effective.

In light of these transactions, we have classified the $354 million principle of tendered Senior Notes as short-term borrowing in our Consolidated Balance Sheet as of June 30, 2013. In our third quarter of 2013 financial statements, we expect to record a loss on the early extinguishment of debt approximately $42 million being the difference between the principal amount of the Senior Notes tendered and the sum of the tender offer consideration and consent payments. In addition, the loss will record the balance of the sum of unamortized capitalized financing costs and original issuance discount with respect to the Senior Notes purchased under the tender.

Additionally, on July 23, 2013, we used the balance of the proceeds from the offering of the 2021 Senior Notes after completing the purchase of the Senior Notes tendered and paying transaction costs, being approximately $45 million and approximately $5 million of cash on hand to prepay $50 million of principal of our Term Loan. On July 31, 2013, we will prepay an additional $50 million of principal with cash on hand. As such, we have classified these pre-payments as short-term borrowings in our Consolidated Balance Sheet as of June 30, 2013.

Financing Facilities

On August 27, 2010, we completed a private placement offering under Securities and Exchange Commission (SEC) Rule 144A for the Senior Notes at an issue price of 99.269% in reliance on an exemption pursuant to Section 4(2) of the Securities Act of 1933. We also entered into the Term Loan with Bank of America, N.A., as administrative agent, and other lenders party thereto for an aggregate principal amount of $295 million with an original issue discount of 1%. The Term Loan permits us to increase the size of the facility by up to $125 million. On October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed the additional $125 million for the purpose of funding potential investment opportunities and for general corporate purposes. Accordingly, we recognized a $1 million charge for the year ended December 31, 2012 for loss on early extinguishment of debt resulting from the write-off of deferred financing costs and miscellaneous fees. An additional $1 million in arranger fees were written-off to interest expense for the year end December 31, 2012. On November 10, 2010, we entered into a five-year senior secured revolving credit facility available through 2015 (the ABL Facility) with Bank of America, N.A., as administrative agent and the other lenders party thereto for an amount up to $275 million, subject to availability under a borrowing base (with a $125 million letter of credit sub-facility). The ABL Facility permits us to increase the size of the facility by up to $125 million subject to obtaining lender commitments to provide such increase.

At June 30, 2013, we had no borrowings under the ABL Facility and $15 million of outstanding letters of credit (primarily related to insurance obligations, environmental obligations and banking credit facilities) which utilizes available capacity under the facility. At December 31, 2012, we had no borrowings under the ABL Facility, but we had $14 million of outstanding letters of credit. At June 30, 2013 and December 31, 2012, we had approximately $260 million and $199 million, respectively of undrawn availability under the ABL Facility.

These facilities contain covenants that limit, among other things, our ability to enter into certain transactions, such as creating liens, incurring additional indebtedness or repaying certain indebtedness, making investments, paying dividends, and entering into acquisitions, dispositions and joint ventures. The Term Loan requires that we meet certain quarterly financial maintenance covenants including a maximum Secured Leverage Ratio (as defined in the agreement) of 2.5:1.0 and a minimum Consolidated Interest Coverage Ratio (as defined in the agreement) of 3.0:1.0. The ABL Facility contains a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio (as defined in the agreement) of 1.1 to 1.0 at all times during any period from the date when the amount available for borrowings under the ABL Facility falls below the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments until such date such available amount has been equal to or

greater than the greater of (i) $34 million and (ii) 12.5% of the aggregate commitments for 45 consecutive days. As of June 30, 2013, we were in compliance with the covenant requirements of these financing facilities.

On March 29, 2013, we entered into a promissory note in the principal sum of $7 million with a term of six years bearing interest at a rate of 5.29% per annum to finance the cost of certain information technology software licenses. The principal of note is to be repaid in equal monthly installments over its term.

In December 2012, we entered into a CNY 250 million (approximately $40 million) 5 year secured credit facility available through December 2017 (the China Bank Facility) with Agricultural Bank of China, Nantong Branch (ABC Bank). The China Bank Facility will be used for funding construction of our manufacturing facility in Nantong, China. The China Bank Facility is secured by land, property and machinery of our subsidiary Chemtura Advanced Materials (Nantong) Co., Ltd. The loans under the China Bank Facility bear interest at a rate determined from time to time by ABC Bank base on the prevailing

Table of Contents

People Bank of China Lending Rate. At June 30, 2013, we had borrowings of $13 million under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

Accounts Receivable Financing Facility

On October 26, 2011, certain of our European subsidiaries (the Sellers) entered into a trade receivables financing facility (the A/R Financing Facility) with GE FactoFrance SAS as purchaser (the Purchaser). Pursuant to the A/R Financing Facility, and subject to certain conditions stated therein, the Purchaser has agreed to purchase from the Sellers, on a revolving basis, certain trade receivables up to a maximum amount outstanding at any time of 68 million (approximately $87 million). The monthly financing fee on the drawn portion of the A/R Financing Facility is the applicable Base Rate plus 1.50%. In addition, the A/R Financing Facility is subject to a minimum commission on the annual volume of transferred receivables. We had no outstanding advances under the A/R Financing Facility for the period ending December 31, 2012. We utilized this facility during 2012, however, in December 2012 we agreed with the Purchaser to suspend the facility in light of internal plans to change which of our European entities invoice sales to customers.

8) INCOME TAXES

We reported an income tax expense of $15 million and $13 million for the quarters ended June 30, 2013 and 2012, respectively. For the six months ended June 30, 2013 and 2012, we reported income tax expense of $23 million and $12 million, respectively. The tax expense reported for the quarter and six months ended June 30, 2013 reflected fluctuations in jurisdictional profitability among the foreign countries in which we operate. The tax expense reported for the quarter and six months ended June 30, 2012 reflected fluctuations in jurisdictional profitability as well as the tax benefit of the restructuring charge taken in the second quarter of 2012.

We have offset our current quarter and year-to-date U.S. income with net operating loss carryforwards and reduced the associated valuation allowance. We will continue to adjust our tax provision through the establishment or reduction of non-cash valuation allowances until we determine that it is more-likely than not that the net deferred tax assets associated with our U.S. operations will be utilized.

We have net liabilities related to unrecognized tax benefits of $40 million and $41 million at June 30, 2013 and December 31, 2012, respectively. The decrease is primarily due to currency fluctuation.

We recognize interest and penalties related to unrecognized tax benefits as income tax expense. Accrued interest and penalties are included within the related liability captions in our Consolidated Balance Sheet.

We believe it is reasonably possible that our unrecognized tax benefits may decrease by approximately $3 million within the next year. This reduction may occur due to the expiration of the statute of limitations or conclusion of examinations by tax authorities. We further expect that the amount of unrecognized tax benefits will continue to change as a result of ongoing operations, the outcomes of audits and the expiration of the statue of limitations. This change is not expected to have a significant impact on our financial condition.

9) ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss (AOCL), net of tax at June 30, 2013 and December 31, 2012, are as follows:

(in millions)	Foreign Currency Translation Adjustments	Unrecognized Pension and Other Post-Retirement Benefit Costs	Total
As of December 31, 2012	$ 47	$ (475)	$ (428)
Other comprehensive (loss) income before reclassifications	(32)	22	(10)
Amounts reclassified from AOCL	(9)	115	106
Net current period other comprehensive (loss) income	(41)	137	96
As of June 30, 2013	$ 6	$ (338)	$ (332)

Table of Contents

The following table summarizes the reclassifications from AOCL to the Condensed Consolidated Statement of Operations for the quarter and six months ended June 30, 2013:

(in millions)	Quarter Ended June 30, 2013 Amount Reclassified from AOCL	Six months ended June 30, 2013 Amount Reclassified from AOCL	Affected line item in the consolidated statement of operations
Foreign currency translation items:			
Liquidation of consolidated entities	$ 15	$ 15	Other income, net
Sale of discontinued operations (b)	(6)	(6)	Loss on sale of discontinued operations, net of tax
Net of tax	9	9	
Defined benefit pension plan items:			
Amortization of prior-service costs (a)	1	2	See Note (a)
Amortization of actuarial losses (a)	(6)	(12)	See Note (a)
Sale of discontinued operations (b)	(120)	(120)	Loss on sale of discontinued operations, net of tax
Total before tax	(125)	(130)	
Tax on continuing operations	1	1	Income Tax Expense
Tax on discontinued operations	14	14	Loss on sale of discontinued operations, net of tax
Total tax	15	15	
Net of tax	(110)	(115)	
Total reclassifications	$ (101)	$ (106)	

(a) These items are included in the computation of net periodic benefit pension cost (see Note 12 - Pension and other Post-Retirement Plans for additional information).

(b) Sale of the Antioxidant Business (see Note 2 - Acquisitions and Divestitures)

10) EARNINGS PER COMMON SHARE

The computation of basic earnings per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings per common share is based on the weighted average number of common and common share equivalents outstanding.

The following is a reconciliation of the shares used in the computation of earnings per share:

(In millions)	Quarters ended June 30, 2013	Quarters ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Weighted average shares outstanding - Basic	98.6	98.9	98.4	98.6
Dilutive effect of common share equivalents	1.1	0.2	1.2	0.5

Weighted average shares outstanding - Diluted	99.7	99.1	99.6	99.1

On May 9, 2013, the Board authorized an increase in our share repurchase program by $41 million to $141 million of which $100 million remains as of June 30, 2013 and extended the program through March 31, 2014. The shares are expected to be repurchased from time to time through open market purchases. The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the Board s discretion. The manner, price, number and timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the Securities and Exchange Commission (SEC). There were no purchases during the six months ended June 30, 2013. As of June 30, 2013, we repurchased 3.4 million shares at a cost of $41 million under this program.

Table of Contents

11) STOCK INCENTIVE PLANS

In 2010, we adopted the Chemtura Corporation 2010 Long-Term Incentive Plan (the 2010 LTIP), which was approved by the Bankruptcy Court and became effective upon our emergence from Chapter 11. The 2010 LTIP provides for grants of nonqualified stock options (NQOs), incentive stock options (ISOs), stock appreciation rights, dividend equivalent rights, stock units, bonus stock, performance awards, share awards, restricted stock, time-based restricted stock units (RSUs) and performance-based RSUs. The 2010 LTIP provides for the issuance of a maximum of 11 million shares. Stock options may be granted under the 2010 LTIP at prices equal to the fair market value of the underlying common shares on the date of the grant. All outstanding stock options will expire not more than ten years from the date of the grant.

Stock-based compensation expense was $3 million for the quarters ended June 30, 2013 and 2012, and $8 million and $10 million for the six months ended June 30, 2013 and 2012, respectively. Stock-based compensation expense was primarily reported in SG&A.

Stock Option Plans

In March 2013, the compensation committee of our Board (the Compensation Committee) approved the grant of 0.4 million NQOs under the 2013 long-term incentive awards (the 2013 Awards). These options vest ratably over a three-year period.

In March 2012, the Compensation Committee approved the grant of 0.8 million NQOs under the 2012 long-term incentive awards (the 2012 Awards). These options vest ratably over a three-year period.

We use the Black-Scholes option-pricing model to determine the fair value of NQOs. We have elected to recognize compensation cost for awards of NQOs equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. Using this method, the weighted average per share fair value of stock options granted during the six months ended June 30, 2013 and 2012 was $9.92 and $8.14, respectively.

Total remaining unrecognized compensation expense associated with unvested NQOs at June 30, 2013 was $6 million, which will be recognized over the weighted average period of approximately 2 years.

Restricted Stock Units and Performance Shares

In March 2013, the Compensation Committee approved the grant of 0.2 million time-based RSUs under the 2013 Awards. These RSUs vest ratably over a three-year period.

In March 2013, the Compensation Committee approved the grant of 0.2 million performance shares under the 2013 Awards. The share grant is subject to a performance multiplier of up to 2 times the targeted award. The performance measurement period is the three calendar year period ending December 31, 2015, the performance share metric used will be our relative total shareholder return against the companies comprising the Russell 3000 Index, and the performance shares will be settled on March 1, 2016. We used the Monte-Carlo simulation model to determine the fair value of the performance shares. Using this method, the average per share fair value of these awards was $27.27.

In March 2012, the Compensation Committee approved the grant of 0.6 million time-based RSUs under the 2012 Awards. These RSUs vest ratably over a three-year period.

In March 2012, the Compensation Committee approved the grant of 0.3 million performance shares under the 2012 Awards. The share grant is subject to a performance multiplier of up to 2 times the targeted award. The performance measurement period is the three calendar year period ending December 31, 2014, the performance share metric used will be our relative total shareholder return against the companies comprising the Russell 3000 Index, and the performance shares will be settled on March 1, 2015. We used the Monte-Carlo simulation model to determine the fair value of the performance shares. Using this method, the average per share fair value of these awards was $25.38.

Total remaining unrecognized compensation expense associated with unvested time-based RSUs and performance shares at June 30, 2013 was $15 million, which will be recognized over the weighted average period of approximately 2 years.

Employee Stock Purchase Plan

In May 2012, our shareholders approved the Chemtura Corporation 2012 Employee Stock Purchase Plan (the ESPP). This plan permits eligible employees to annually elect to have up to 10% of their compensation withheld and applied to the purchase of shares of Chemtura s common stock. Purchases are made at the end of quarterly offering periods and are based on the lower

Table of Contents

of the fair market value of the shares on the first and last trading days during the offering period. The first offering period was for the calendar quarter ended September 30, 2012. A total of one million shares are authorized to be issued under the ESPP, including up to 0.1 million shares per offering period and 0.3 million shares per plan year. As of June 30, 2013, approximately 0.9 million shares are available for future issuance under this plan.

12) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of our defined benefit plans net periodic benefit (credit) cost for the quarters and six months ended June 30, 2013 and 2012 are as follows:

	Qualified U.S. Plans Quarters ended June 30,		Defined Benefit Plans International and Non-Qualified Plans Quarters ended June 30,		Post-Retirement Health Care Plans Quarters ended June 30,	
(In millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Service cost	$	$	$ 1	$ 1	$	$
Interest cost	7	11	5	5	1	1
Expected return on plan assets	(11)	(13)	(6)	(6)		
Amortization of prior service cost					(1)	(2)
Amortization of actuarial losses	4	3	1	1	1	1
Net periodic benefit cost	$	$ 1	$ 1	$ 1	$ 1	$

	Qualified U.S. Plans Six months ended June 30,		Defined Benefit Plans International and Non-Qualified Plans Six months ended June 30,		Post-Retirement Health Care Plans Six months ended June 30,	
(In millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Service cost	$	$	$ 2	$ 2	$	$
Interest cost	17	22	10	10	2	2
Expected return on plan assets	(25)	(27)	(12)	(11)		
Amortization of prior service cost					(2)	(3)
Amortization of actuarial losses	8	7	2	1	2	2
Net periodic benefit cost	$	$ 2	$ 2	$ 2	$ 2	$ 1

In addition to the net periodic benefit (credit) cost summarized above, in the second quarter of 2013 we recorded a gain related to an adjustment for a legacy pension plan of $2 million to SG&A and $4 million to Loss from discontinued operations on our Consolidated Statement of Operations.

We contributed $2 million to our U.S. non-qualified pension plans and $15 million to our international pension plans for the quarter ended June 30, 2013. Contributions to post-retirement health care plans for the quarter ended June 30, 2013 were $5 million.

On November 18, 2009, the Bankruptcy Court entered an order (the 2009 OPEB Order) approving, in part, our motion (the 2009 OPEB Motion) requesting authorization to modify certain post-retirement welfare benefits (the OPEB Benefits) under our post-retirement welfare benefit plans (the OPEB Plans), including the OPEB Benefits of certain Uniroyal salaried retirees (the Uniroyal Salaried Retirees). On April 5, 2010, the Bankruptcy Court entered an order denying the Uniroyal Salaried Retirees motion to reconsider the 2009 OPEB Order based, among other things, on the Uniroyal Salaried Retirees failure to file a timely objection to the 2009 OPEB Motion. On April 8, 2010, the Uniroyal Salaried Retirees appealed the Bankruptcy Court s April 5, 2010 order and on April 14, 2010, sought a stay pending their appeal (the Stay) of the 2009 OPEB Order as to our right to modify the OPEB Benefits. On April 21, 2010, the Bankruptcy Court ordered us not to modify the Uniroyal Salaried Retirees OPEB Benefits pending a hearing and decision as to the Stay. After consulting with the official committees of unsecured creditors and equity security holders, we requested that the Bankruptcy Court have a hearing to decide, as a matter of law, whether we have the right to modify the OPEB Benefits of the Uniroyal Salaried Retirees as requested in the 2009 OPEB Motion. In November 2011, we reached an agreement in principle with a steering committee of the Uniroyal Salaried Retirees resolving all disputes concerning the 2009 OPEB Motion.

On February 21, 2012, we filed a motion with the Bankruptcy Court seeking approval of a settlement stipulation with the steering committee of the Uniroyal Salaried Retirees based upon the prior agreement in principle and authorizing us to implement changes to the OPEB Benefits of

Table of Contents

all Uniroyal Salaried Retirees based upon the settlement stipulation and as a partial grant of the relief requested in the 2009 OPEB Motion. The Bankruptcy Court approved the motion at a hearing held on March 29, 2012. The changes were communicated to the participants in May 2012. The impact of the change was an $8 million increase to the projected benefit obligation, which we recorded in the second quarter of 2012 as an increase to the pension and post-retirement healthcare liabilities, with an offset to AOCL on our Consolidated Balance Sheet at December 31, 2012.

On May 9, 2011, one of our UK subsidiaries entered into definitive agreements with the trustees of the Great Lakes U.K. Limited Pension Plan (the UK Pension Plan) over the terms of a recovery plan which provided for a series of additional cash contributions to be made to reduce the underfunding over time. The agreements provided, among other things, for our UK subsidiary to make cash contributions of £60 million (approximately $96 million) in just over a three year period, with the initial contribution of £30 million ($49 million) made in the second quarter of 2011, the second contribution of £15 million ($24 million) made in the second quarter of 2012 and the third contribution of £8 million ($11 million) made in the second quarter of 2013. The final contribution of £8 million ($11 million) is expected to be made in the second quarter of 2014. The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

There was also an evaluation being undertaken as to whether additional benefit obligations exist in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. Based on the results of the evaluation in 2011, $8 million of expense was recorded in the fourth quarter of 2011, which was subject to adjustment as further information is gathered as part of the evaluation. Additional information has been gathered and evaluated during the second quarter of 2013 and resulted in a reduction of the estimated liability from that originally estimated. Accordingly we recorded $2 million of income to SG&A in the second quarter of 2013. When we reach agreement with the trustees of the UK Pension Plan as to what additional benefit obligations exist, our UK subsidiary is required to make additional cash contributions to the UK Pension Plan.

13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our activities expose our earnings, cash flows and financial condition to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and energy prices. We maintain a risk management strategy that may utilize derivative instruments to mitigate risk against foreign currency movements. We do not enter into derivative instruments for trading or speculative purposes.

We have exposure to changes in foreign currency exchange rates resulting from transactions entered into by us and our foreign subsidiaries in currencies other than their functional currency (primarily trade payables and receivables). We are also exposed to currency risk on intercompany transactions (including intercompany loans). We manage these currency risks on a consolidated basis, which allows us to net our exposure.

In April 2012, we purchased two forward contracts with a notional amount totaling $25 million to reduce the risk of currency exposure related to the remaining two annual installments of proceeds from the sale of our 50% interest in Tetrabrom Technologies Ltd. in 2011. We use fair value accounting methods for these contracts. During the quarter ended June 30, 2013, one of these contracts settled and we recorded a realized gain of less than $1 million in other income, net. We have recorded an unrealized gain of less than $1 million and an unrealized loss of less than $1 million reflecting the changes in the fair market value on the remaining contract in other income, net in our Consolidated Statement of Operations for the quarter and six month periods ended June 30, 2013, respectively. The resulting net liability of the changes in fair market value of the remaining contract of less than $1 million has been accounted for in other current assets in our Consolidated Balance Sheet.

During the first half of 2013, we entered into a zero cost collar contract and two additional forward contracts to reduce the risk of currency exposure related to the Euro in one of our consolidated subsidiaries. These contracts matured at various times during the second quarter of 2013. We use fair value accounting methods for these contracts and have recorded losses of less than $1 million and gains of $3 million reflecting the changes in fair market value of these contracts in other income, net in our Consolidated Statement of Operations for the quarter and six month periods ended June 30, 2013.

14) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Instruments

The carrying amounts for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities, approximate their fair value because of the short-term maturities of these instruments. The fair value of debt is based primarily on quoted market values.

The following table presents the carrying amounts and estimated fair values of material financial instruments used by us in the normal course of business:

Table of Contents

	As of June 30, 2013		As of December 31, 2012	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$ 894	$ 938	$ 876	$ 920

Fair Value Measurements

We apply the provisions of ASC 820 with respect to our financial assets and liabilities that are measured at fair value within the financial statements on a recurring basis. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy specified by ASC 820 is as follows:

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market date.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Level 1 fair value measurements in 2013 and 2012 included securities purchased in connection with the deferral of compensation, our match and investment earnings related to the supplemental savings plan. These securities are considered our general assets until distributed to the participant and are included in other assets in our Consolidated Balance Sheets. A corresponding liability is included in other liabilities at June 30, 2013 and December 31, 2012 in our Consolidated Balance Sheets. Quoted market prices were used to determine fair values of these Level 1 investments which are held in a trust with a third-party brokerage firm. The fair value of the asset and corresponding liability was $2 million at June 30, 2013 and December 31, 2012.

Level 2 fair value measurements are used to value our financial instruments subject to foreign currency exchange risk (see Note 13 Derivative Instruments and Hedging Activities.) For the six months ended June 30, 2013, there were no transfers into or out of Levels 1 and 2.

Level 3 fair value measurements are utilized in our impairment reviews of Goodwill (see Note 6 Goodwill and Intangible Assets).

During the second quarter of 2013, we obtained an investment in non-public preferred equity securities with a face value of $9 million. We have estimated the fair value to be $4 million, utilizing Level 3 measurements, where the fair value estimate is determined internally based on business and market sector fundamentals. We have reported the fair value of this investment in Other Non-Current Assets and reported the difference between the face value and fair value in loss on sale of discontinued operations.

Level 1, 2 and 3 fair value measurements are utilized for defined benefit plan assets in determining the funded status of our pension and post-retirement benefit plan liabilities on an annual basis (at December 31).

15) ASSET RETIREMENT OBLIGATIONS

We apply the provisions of ASC Topic 410, *Asset Retirements and Environmental Obligations* (ASC 410), which requires us to make estimates regarding future events in order to record a liability for asset retirement obligations in the period in which a legal obligation is created. Such liabilities are recorded at fair value, with an offsetting increase to the carrying value of the related long-lived assets. The fair value is estimated by discounting projected cash flows over the estimated life of the assets using our credit adjusted risk-free rate applicable at the time the obligation is initially recorded. In future periods, the liability is accreted to its present value and the capitalized cost is depreciated over the useful life of the related asset. We also adjust the liability for changes resulting from revisions to the timing of future cash flows or the amount of the original estimate. Upon retirement of the long-lived asset, we either settle the obligation for its recorded amount or incur a gain or loss.

Our asset retirement obligations include estimates for all asset retirement obligations identified for our worldwide facilities. Our asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases at approximately 25 facilities; legal obligations to close approximately 89 brine supply, brine disposal, waste disposal, and hazardous waste injection wells and the related

Table of Contents

pipelines at the end of their useful lives; and decommissioning and decontamination obligations that are legally required to be fulfilled upon closure of approximately 30 of our manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarters and six months ended June 30, 2013 and 2012 and the net book value of assets related to the asset retirement obligations at June 30, 2013 and 2012:

	Quarters ended June 30,		Six months ended June 30,	
(In millions)	**2013**	**2012**	**2013**	**2012**
Asset retirement obligation balance at beginning of period	$ 19	$ 20	$ 20	$ 21
Accretion expense (income) cost of goods sold (a)		2		2
Payments	(2)		(3)	(1)
Asset retirement obligation balance at end of period	$ 17	$ 22	$ 17	$ 22
Net book value of asset retirement obligation assets at end of period	$	$ 1	$	$ 1

(a) The accretion expense for the quarter and six months ended June 30, 2012 reflects the acceleration of obligations related to the Pedrengo, Italy facility due to the shutdown approved on April 30, 2012.

Depreciation expense for the six months ended June 30, 2013 and 2012 was less than $1 million.

At June 30, 2013 and December 31, 2012, $3 million and $6 million, respectively, of asset retirement obligations were included in accrued expenses and $14 million were included in other liabilities in our Consolidated Balance Sheet.

16) EMERGENCE FROM CHAPTER 11

On March 18, 2009 (the Petition Date) Chemtura and 26 of our U.S. affiliates (collectively the U.S. Debtors or the Debtors when used in relation to matters before August 8, 2010) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (Chapter 11) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).

On August 8, 2010, our Canadian subsidiary, Chemtura Canada Co/Cie (Chemtura Canada), filed a voluntary petition for relief under Chapter 11. On August 11, 2010, Chemtura Canada commenced ancillary recognition proceedings under Part IV of the Companies Creditors Arrangement Act (the CCAA) in the Ontario Superior Court of Justice, (the Canadian Court and such proceedings, the Canadian Case). The U.S. Debtors along with Chemtura Canada after it filed for Chapter 11 (collectively the Debtors) requested the Bankruptcy Court to enter an order jointly administering Chemtura Canada s Chapter 11 case with the previously filed Chapter 11 cases and appoint Chemtura Canada as the foreign representative for the purposes of the Canadian Case. Such orders were granted on August 9, 2010. On August 11, 2010, the Canadian Court entered an order recognizing the Chapter 11 cases as a foreign proceedings under the CCAA.

On November 3, 2010, the Bankruptcy Court entered an order confirming the Debtors plan of reorganization (the Plan). On November 10, 2010 (the Effective Date), the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective.

On June 10, 2011, we filed a closing report in Chemtura Canada s Chapter 11 case and a motion seeking a final decree closing that Chapter 11 case. On June 23, 2011, the Bankruptcy Court granted our motion and entered a final decree closing the Chapter 11 case of Chemtura Canada.

On December 1, 2011, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases of 22 Debtors (the Fully Administered Debtors):

- A&M Cleaning Products LLC
- Aqua Clear Industries, LLC
- ASEPSIS, Inc.
- ASCK, Inc.
- BioLab Company Store, LLC
- Biolab Franchise Company, LLC
- BioLab Textile Additives, LLC
- CNK Chemical Realty Corporation
- Crompton Colors Incorporated
- Crompton Holding Corporation
- Crompton Monochem, Inc.
- Great Lakes Chemical Global, Inc.
- GT Seed Treatment, Inc.
- HomeCare Labs, Inc
- ISCI, Inc.
- Kem Manufacturing Corporation
- Laurel Industries Holdings, Inc.
- Monochem, Inc.
- Naugatuck Treatment Company
- Recreational Water Products, Inc.
- Weber City Road LLC
- WRL of Indiana, Inc.

Table of Contents

On December 15, 2011, the Bankruptcy Court entered an order granting a final decree closing the Fully Administered Debtors Chapter 11 cases.

On January 5, 2012, we filed a motion with the Bankruptcy Court seeking authority to make a third supplemental distribution to Holders of Interests, which was granted by the Bankruptcy Court on January 26, 2012. The Bankruptcy Court extended the time to make the third supplemental distribution by order dated March 2, 2012 and authorized an increase to the third supplemental distribution by order dated March 8, 2012. The third supplemental distribution was made in March 2012 and included payments of $3 million in cash and $20 million in stock, valuing the stock at the Plan valuation.

On February 7, 2012, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases for Bio-Lab, Inc. and GLCC Laurel, LLC, which was granted by the Bankruptcy Court on February 22, 2012.

On March 16, 2012, we filed a motion requesting entry of an order granting a final decree closing the Chapter 11 cases for Great Lakes Chemical Corporation and Uniroyal Chemical Company Limited (Delaware), which was granted by the Bankruptcy Court on March 29, 2012.

On May 4, 2012, the Bankruptcy Court entered an order disallowing and expunging the last two general unsecured claims in Chemtura s Chapter 11 case.

In July 2012, we made a final distribution to Holders of Interests under the Plan including all amounts remaining in the Disputed Claims Reserve. The final distribution included $3 million in stock valued at the Plan valuation.

On October 2, 2012, the Bankruptcy Court granted the motion of Momentive Performance Materials, Inc. (Momentive) for an order granting our prior motion under the Plan to assume our executory contract with Momentive and directing payment of a purportedly agreed cure claim. After a contested hearing, the Bankruptcy Court granted the motion by order dated October 17, 2012. The payment of the cure claim will resolve all claims of default under the agreement through October 2, 2012.

As of December 31, 2012, there were no remaining undisbursed amounts in the Disputed Claims Reserve.

On January 31, 2013, the Bankruptcy Court granted Chemtura s motion to enforce the discharge injunction under the Plan against certain tort claimants. On February 7, 2013, the Bankruptcy Court entered a written order consistent with its ruling. On February 20, 2013, the claimants appealed the Bankruptcy Court s February 7, 2013 order, and the appeal is pending in the Bankruptcy Court.

As of June 30, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

Reorganization items, net were $1 million for the quarter and six months ended June 30, 2013, primarily for professional fees. Reorganization items, net was $1 million and $3 million for the quarter and six months ended June 30, 2012, respectively, which included $2 million for professional fees and $1 million for claim settlements. Claim settlements represent the difference between the settlement amount of certain pre-petition obligations (which for obligations settled in common stock are based on the fair value of our stock at the issuance date) and the corresponding carrying value of the recorded liabilities.

17) LEGAL PROCEEDINGS AND CONTINGENCIES

We are involved in claims, litigation, administrative proceedings and investigations of various types in a number of jurisdictions. A number of such matters involve, or may involve, claims for a material amount of damages and relate to or allege, among other things, environmental liabilities, including clean-up costs associated with hazardous waste disposal sites, natural resource damages, property damage and personal injury.

As a result of the Chapter 11 cases, substantially all prepetition litigation and claims against us and our subsidiaries that were Debtors in the Chapter 11 cases have been discharged and permanently enjoined from further prosecution and are described below under the subheading Prepetition Litigation and Claims Discharged Under the Plan.

Claims and legal actions asserted against non-Debtors or relating to events occurring after the Effective Date, certain regulatory and administrative proceedings and certain contractual and other claims assumed with the authorization of the Bankruptcy Court, were not discharged in the Chapter 11 cases and are described below under the subheading Litigation and Claims Not Discharged Under the Plan.

Table of Contents

Prepetition Litigation and Claims Discharged Under the Plan

Chapter 11 Plan and Establishment of Claims Reserves

On March 18, 2009, the Debtors filed voluntary petitions in the Bankruptcy Court seeking relief under Chapter 11. The Debtors Chapter 11 cases were assigned to the Honorable Robert E. Gerber and are being jointly administered as Case No. 09-11233. The Debtors continued to operate their business as debtors in possession under the jurisdiction of the Bankruptcy Court until their emergence from Chapter 11 on November 10, 2010.

Pursuant to the Plan, and by orders of the Bankruptcy Court dated September 24, 2010, October 19, 2010 and October 29, 2010, the Debtors established the Diacetyl Reserve, the Environmental Reserve and the Disputed Claims Reserve, each as defined in the Plan, on account of claims that were not yet allowed in the Chapter 11 cases as of the Effective Date, including proofs of claim asserted against the Debtors that were subject to objection as of the Effective Date (the Disputed Claims). The Diacetyl Reserve was approved by the Bankruptcy Court in the amount of $7 million, comprised of separate segregated reserves, and has since been reduced as settlement agreements have been approved by the Bankruptcy Court. The Environmental Reserve was approved by the Bankruptcy Court in the amount of $38 million, a portion of which was further segregated into certain separate reserves established to account for settlements that were pending Bankruptcy Court approval, and has since been reduced as settlement agreements have been approved by the Bankruptcy Court. The Disputed Claims Reserve was approved by the Bankruptcy Court in the amount of $42 million, plus additional segregated individual reserves for certain creditors claims in the aggregate amount of approximately $30 million, all of which have been reduced as settlement agreements have been approved by the Bankruptcy Court.

On June 24, 2011, we resolved the final disputed Environmental Claim. As a result, under the Plan, the amounts remaining in the Environmental Reserve were transferred to the Disputed Claims Reserve. Any remaining Disputed Claims, to the extent they were ultimately allowed by the Bankruptcy Court, were satisfied (to the extent allowed and not covered by insurance) from the Disputed Claims Reserve. Holders of the Disputed Claims are permanently enjoined under the Plan from pursuing their claims against us. On May 4, 2012, the Bankruptcy Court entered an order disallowing the last Disputed Claim subject to the Disputed Claims Reserve. In July 2012, we made a final distribution to Holders of Interests in accordance with the Plan that included all amounts remaining in the Disputed Claims Reserve.

Litigation and Claims Not Discharged Under the Plan

Environmental Liabilities

We are involved in environmental matters of various types in a number of jurisdictions. A number of such matters involve claims for material amounts of damages and relate to or allege environmental liabilities, including clean up costs associated with hazardous waste disposal sites and natural resource damages.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), and comparable state statutes impose strict liability upon various classes of persons with respect to the costs associated with the investigation and remediation of waste

disposal sites. Such persons are typically referred to as Potentially Responsible Parties or PRPs. Chemtura and several of our subsidiaries have been identified by federal, state or local governmental agencies or by other PRPs, as a PRP at various locations in the United States. Because in certain circumstances these laws have been construed to authorize the imposition of joint and several liability, the Environmental Protection Agency (EPA) and comparable state agencies could seek to recover all costs involving a waste disposal site from any one of the PRPs for such site, including Chemtura, despite the involvement of other PRPs. In many cases, we are one of a large number of PRPs with respect to a site. In a few instances, we are the sole or one of only a handful of PRPs performing investigation and remediation. Where other financially responsible PRPs are involved, we expect that any ultimate liability resulting from such matters will be apportioned between us and such other parties. In addition, we are involved with environmental remediation and compliance activities at some of our current and former sites in the United States and abroad.

Each quarter, we evaluate and review estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site where the cost of remediation is probable and reasonably estimable, we determine the specific measures that are believed to be required to remediate the site, the estimated total cost to carry out the remediation plan, the portion of the total remediation costs to be borne by us and the anticipated time frame over which payments toward the remediation plan will occur. At sites where we expect to incur ongoing operation and maintenance expenditures, we accrue on an undiscounted basis for a period of generally 10 years those costs which we believe are probable and reasonably estimable.

On September 17, 2012, our subsidiary Great Lakes Chemical Corporation received an enforcement notice from the United States Department of Justice acting on behalf of the Environmental Protection Agency (EPA) which has alleged violations of a National Pollution Discharge Elimination System Permit issued under the Clean Water Act in conjunction with its facility in El Dorado, Arkansas. The EPA sought injunctive relief and civil penalties. We negotiated a consent decree with the EPA, including a penalty of less than $1 million, to resolve the alleged violations. Public notice of the consent decree was published in the Federal Register on Wednesday, July 10, 2013. The 30-day public comment period will end on Friday, August 9, 2013, and we anticipate the consent decree will be entered by the court soon after.

Table of Contents

The total amount accrued for environmental liabilities as of June 30, 2013 and December 31, 2012 was $93 million and $84 million, respectively. At June 30, 2013 and December 31, 2012, $21 million and $15 million, respectively, of these environmental liabilities were reflected as accrued expenses and $72 million and $69 million, respectively, were reflected as other liabilities. We estimate that the reasonably possible ongoing environmental liabilities could range up to $107 million at June 30, 2013. Our accruals for environmental liabilities include estimates for determinable clean-up costs. We recorded pre-tax charges of $23 million for the six months ended June 30, 2013 which included a $21 million charge related to a legacy non-operating site in France, and made payments of $7 million during the six months ended June 30, 2013 for clean-up costs, which reduced our environmental liabilities. At certain sites, we have contractual agreements with certain other parties to share remediation costs. As of June 30, 2013, no receivables are outstanding related to these agreements. At a number of these sites, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable. We intend to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. However, the final cost of clean-up at these sites could exceed our present estimates, and could have, individually or in the aggregate, a material adverse effect on our financial condition, results of operations, or cash flows. Our estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, current laws and regulations be modified or additional environmental laws and regulations be enacted, and as negotiations with respect to certain sites.

Other

We are routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of our business, as well as in respect of our divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to our current and historical products and asbestos-related claims concerning premises and historic products of our corporate affiliates and predecessors. We believe the claims relating to the period before the filing of the Chapter 11 cases are subject to discharge pursuant to the Plan and have been satisfied, to the extent they were timely filed in the Chapter 11 cases and allowed by the Bankruptcy Court, solely from the Disputed Claims Reserve. Further, we believe that we have strong defenses to these claims. These claims have not had a material impact on us to date and we believe the likelihood that a future material adverse outcome will result from these claims is remote.

However, we cannot be certain that an adverse outcome of one or more of these claims, to the extent not discharged in the Chapter 11 cases, would not have a material adverse effect on our financial condition, results of operations or cash flows.

Guarantees

In addition to the letters of credit of $15 million and $14 million outstanding at June 30, 2013 and December 31, 2012, respectively, we have guarantees that have been provided to various financial institutions. At June 30, 2013 and December 31, 2012, we had $12 million of outstanding guarantees. The letters of credit and guarantees were primarily related to liabilities for insurance obligations, environmental obligations, banking and credit facilities, vendor deposits and European value added tax (VAT) obligations.

We have applied the disclosure provisions of ASC Topic 460, *Guarantees* (ASC 460), to our agreements that contain guarantee or indemnification clauses. We are a party to several agreements pursuant to which we may be obligated to indemnify a third party with respect to certain loan obligations of joint venture companies in which we previously had an equity interest. These obligations arose to provide initial financing for a joint venture start-up, fund an acquisition and/or provide project capital. Such obligations mature through May 2016. In the event that any of the joint venture companies were to default on these loan obligations, we would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At June 30, 2013 and December 31, 2012, the maximum potential future principal and interest payments due under these guarantees were $3 million. In accordance with ASC 460, we have

accrued less than $1 million in reserves, which represents the probability weighted fair value of these guarantees at June 30, 2013 and December 31, 2012. The reserve has been included in other liabilities on our Consolidated Balance Sheet at June 30, 2013 and December 31, 2012 with an offset to other assets.

In addition, we have financing agreements with banks in Brazil for certain customers under which we receive funds from the banks at invoice date, and in turn, the customer agrees to pay the banks on the due date. We provide a full recourse guarantee to the banks in the event of customer non-payment.

In the ordinary course of business, we enter into contractual arrangements under which we may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on our behalf or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation, claims or environmental matters relating to our past performance. For any losses that we believe are probable and estimable, we have accrued for such amounts in our Consolidated Balance Sheets.

Table of Contents

18) BUSINESS SEGMENT DATA

We evaluate a segment s performance based on several factors, of which the primary factor is operating income (loss). In computing operating income (loss) by segment, the following items have not been deducted: (1) general corporate expense; (2) amortization; (3) facility closures, severance and related costs; and (4) changes in estimates related to expected allowable claims. Pursuant to ASC Topic 280, *Segment Reporting* (ASC 280), these items have been excluded from our presentation of segment operating income (loss) because they are not reported to the chief operating decision maker for purposes of allocating resources among reporting segments or assessing segment performance.

Industrial Performance Products

Industrial Performance Products are engineered solutions for our customers specialty chemical needs. Industrial Performance Products include petroleum additives that provide detergency, friction modification and corrosion protection in automotive lubricants, greases, refrigeration and turbine lubricants; castable urethane prepolymers engineered to provide superior abrasion resistance and durability in many industrial and recreational applications; and polyurethane dispersions and urethane prepolymers used in various types of coatings such as clear floor finishes, high-gloss paints and textiles treatments. These products are sold directly to manufacturers and through distribution channels.

On November 9, 2012, we announced the sale of our Antioxidant business, which closed on April 30, 2013. As a result of entering into this transaction, the assets and liabilities included in the Antioxidant Sale have been presented as assets and liabilities of discontinued operations and earnings and direct costs associated with the Antioxidant business have been presented as earnings (loss) from discontinued operations, net of tax. The Antioxidant business was formerly included in the Industrial Performance Product segment.

Industrial Engineered Products

Industrial Engineered Products are chemical additives designed to improve the performance of polymers in their end-use applications. Industrial Engineered Products include brominated performance products, flame retardants, fumigants and organometallics. The products are sold across the entire value chain ranging from direct sales to monomer producers, polymer manufacturers, compounders and fabricators, fine chemical manufacturers, utilities, pharmaceutical manufactures and oilfield service companies to industry distributors.

Consumer Products

Consumer Products are performance chemicals that are sold to consumers for in-home and outdoor use. Consumer Products include a variety of branded recreational water purification products sold through local dealers and large retailers to assist consumers in the maintenance and enhancement of their pools and spas and branded cleaners and degreasers sold primarily through mass merchants and large retailers to consumers for home cleaning.

Chemtura AgroSolutions

Chemtura AgroSolutions develops, supplies, registers and sells agricultural chemicals formulated for specific crops in various geographic regions for the purpose of enhancing quality and improving yields. The business focuses on specific target markets in six major product lines: seed treatments, fungicides, miticides, insecticides, growth regulators and herbicides. These products are sold directly to growers and to major distributors in the agricultural sector.

General Corporate Expense and Other Charges

General corporate expense includes costs and expenses that are of a general corporate nature or managed on a corporate basis. These costs (net of allocations to the business segments) primarily represent corporate stewardship and administration activities together with costs associated with legacy activities and intangible asset amortization. Functional costs are allocated between the business segments and general corporate expense. Certain functional and other expenses that are managed company-wide that were allocated to the Antioxidant business do not transfer directly under the Antioxidant Sale. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under loss from discontinued operations, net of tax. These costs approximate $2 million and $4 million for the quarters ended June 30, 2013 and 2012, respectively and $6 million and $8 million for the six months ended June 30, 2013 and 2012, respectively. Facility closures, severance and related costs are primarily for severance costs related to our cost savings initiatives. Change in estimates related to expected allowable claims relates to adjustments to resolve disputed claims.

Table of Contents

A summary of business data for our reportable segments for the quarters ended June 30, 2013 and 2012 are as follows:

(In millions)	Quarters ended June 30, 2013	Quarters ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net Sales				
Petroleum additives	$ 182	$ 160	$ 351	$ 310
Urethanes	72	75	144	148
Industrial Performance Products	254	235	495	458
Bromine based & related products	160	197	319	380
Organometallics	41	39	81	82
Industrial Engineered Products	201	236	400	462
Consumer Products	145	158	223	242
Chemtura AgroSolutions	135	112	223	197
Total net sales	$ 735	$ 741	$ 1,341	$ 1,359

(In millions)	Quarters ended June 30, 2013	Quarters ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Operating Income				
Industrial Performance Products	$ 31	$ 28	$ 60	$ 54
Industrial Engineered Products	13	38	33	82
Consumer Products	21	20	19	15
Chemtura AgroSolutions	32	23	45	33
	97	109	157	184
General corporate expense, including amortization	(20)	(24)	(66)	(57)
Facility closures, severance and related costs	(11)	(7)	(25)	(7)
Changes in estimates related to expected allowable claims				(2)
Total operating income	$ 66	$ 78	$ 66	$ 118

Table of Contents

19) GUARANTOR CONDENSED CONSOLIDATING FINANCIAL DATA

Our obligations under the Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by each current and future domestic restricted subsidiary, other than excluded subsidiaries that guarantee any indebtedness of Chemtura or our restricted subsidiaries. Our subsidiaries that do not guarantee the Senior Notes are referred to as the Non-Guarantor Subsidiaries. The Guarantor Condensed Consolidating Financial Data presented below presents the statements of operations, statements of comprehensive (loss) income, balance sheets and statements of cash flow for: (i) Chemtura Corporation (the Parent Company), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis (which is derived from Chemtura historical reported financial information); (ii) the Parent Company, alone (accounting for our Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on an equity basis under which the investments are recorded by each entity owning a portion of another entity at cost, adjusted for the applicable share of the subsidiary s cumulative results of operations, capital contributions and distributions, and other equity changes); (iii) the Guarantor Subsidiaries alone; and (iv) the Non-Guarantor Subsidiaries alone.

Condensed Consolidating Statement of Operations

Quarter ended June 30, 2013

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 735	$ (453)	$ 391	$ 234	$ 563
Cost of goods sold	548	(453)	344	182	475
Selling, general and administrative	67		24	13	30
Depreciation and amortization	31		7	14	10
Research and development	11		4	3	4
Facility closures, severance and related costs	11		6		5
Equity loss	1				1
Operating income	66		6	22	38
Interest expense	(15)		(17)		2
Other income (expense), net	12		(6)		18
Reorganization items, net	(1)		(1)		
Equity in net earnings of subsidiaries		(26)	26		
Earnings from continuing operations before income taxes	62	(26)	8	22	58
Income tax expense	(15)				(15)
Earnings from continuing operations	47	(26)	8	22	43
Earnings (loss) from discontinued operations, net of tax	6		7		(1)
Loss on sale of discontinued operations, net of tax	(146)		(108)		(38)
Net (loss) earnings attributable to Chemtura	$ (93)	$ (26)	$ (93)	$ 22	$ 4

Table of Contents

Condensed Consolidating Statement of Operations

Six months ended June 30, 2013

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 1,341	$ (870)	$ 756	$ 393	$ 1,062
Cost of goods sold	1,028	(870)	641	319	938
Selling, general and administrative	137		55	24	58
Depreciation and amortization	62		14	27	21
Research and development	20		7	5	8
Facility closures, severance and related costs	25		12		13
Equity loss	3				3
Operating income	66		27	18	21
Interest expense	(31)		(34)		3
Other income (expense), net	15		(5)		20
Reorganization items, net	(1)		(1)		
Equity in net earnings of subsidiaries		(1)	1		
Earnings (loss) from continuing operations before income taxes	49	(1)	(12)	18	44
Income tax expense	(23)		(1)		(22)
Earnings (loss) from continuing operations	26	(1)	(13)	18	22
Earnings (loss) from discontinued operations, net of tax	4		5		(1)
Loss on sale of discontinued operations, net of tax	(146)		(108)		(38)
Net (loss) earnings attributable to Chemtura	$ (116)	$ (1)	$ (116)	$ 18	$ (17)

Condensed Consolidating Statement of Comprehensive Loss

Quarter ended June 30, 2013

(in millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net (loss) earnings	$ (93)	$ (26)	$ (93)	$ 22	$ 4
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	(18)		(4)	1	(15)
Unrecognized pension and other post-retirement benefit costs	138		136		2
Comprehensive income (loss) attributable to Chemtura	$ 27	$ (26)	$ 39	$ 23	$ (9)

Condensed Consolidating Statement of Comprehensive Loss

Six months ended June 30, 2013

(in millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net (loss) earnings	$ (116)	$ (1)	$ (116)	$ 18	$ (17)
Other comprehensive (loss) income, net of tax					
Foreign currency translation adjustments	(41)		10	(1)	(50)
Unrecognized pension and other post-retirement benefit costs	137		137		
Comprehensive (loss) income attributable to Chemtura	$ (20)	$ (1)	$ 31	$ 17	$ (67)

Table of Contents

Condensed Consolidating Balance Sheet

As of June 30, 2013

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
ASSETS					
Current assets	$ 1,531	$	$ 463	$ 265	$ 803
Intercompany receivables		(9,493)	3,783	3,431	2,279
Investment in subsidiaries		(8,268)	1,670	1,633	4,965
Property, plant and equipment	752		123	281	348
Goodwill	173		92	3	78
Other assets	498		141	164	193
Total assets	$ 2,954	$ (17,761)	$ 6,272	$ 5,777	$ 8,666
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities	$ 918	$	$ 597	$ 84	$ 237
Intercompany payables		(9,493)	3,947	3,687	1,859
Long-term debt	437		423		14
Other long-term liabilities	547		253	57	237
Total liabilities	1,902	(9,493)	5,220	3,828	2,347
Stockholders equity	1,052	(8,268)	1,052	1,949	6,319
Total liabilities and stockholders equity	$ 2,954	$ (17,761)	$ 6,272	$ 5,777	$ 8,666

Table of Contents

Condensed Consolidating Statement of Cash Flows

Six months ended June 30, 2013

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Increase (decrease) to cash					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) earnings	$ (116)	$ (1)	$ (116)	$ 18	$ (17)
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operations:					
Loss on sale of discontinued operations	146		108		38
Release of cumulative translation adjustment from liquidation of entities	(15)				(15)
Depreciation and amortization	64		14	27	23
Stock-based compensation expense	8		8		
Equity loss	1				1
Changes in assets and liabilities, net	(165)	1	(72)	(19)	(75)
Net cash (used in) provided by operations	(77)		(58)	26	(45)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from divestments, net	91		(4)		95
Payments for acquisitions, net of cash acquired	(3)				(3)
Capital expenditures	(87)		(8)	(24)	(55)
Net cash provided by (used in) investing activities	1		(12)	(24)	37
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Term Loan	(2)		(2)		
Proceeds from other long-term borrowings	23		7		16
Payments on other long-term borrowings	(2)				(2)
Payments on other short-term borrowings, net	(1)				(1)
Proceeds from the exercise of stock options	4		4		
Net cash provided by financing activities	22		9		13
CASH AND CASH EQUIVALENTS					
Effect of exchange rates on cash and cash equivalents	(5)				(5)
Change in cash and cash equivalents	(59)		(61)	2	
Cash and cash equivalents at beginning of period	365		193		172
Cash and cash equivalents at end of period	$ 306	$	$ 132	$ 2	$ 172

Table of Contents

Condensed Consolidating Statement of Operations

Quarter ended June 30, 2012

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 741	$ (430)	$ 401	$ 236	$ 534
Cost of goods sold	542	(430)	318	200	454
Selling, general and administrative	72		30	14	28
Depreciation and amortization	30		7	13	10
Research and development	11		4	3	4
Facility closures, severance and related costs	7		4	1	2
Equity loss	1				1
Operating income	78		38	5	35
Interest expense	(16)		(18)	1	1
Other expense, net	5		2		3
Reorganization items, net	(1)		(1)		
Equity in net earnings of subsidiaries		(24)	24		
Earnings from continuing operations before income taxes	66	(24)	45	6	39
Income tax expense	(13)				(13)
Earnings from continuing operations	53	(24)	45	6	26
(Loss) earnings from discontinued operations, net of tax	(2)		5		(7)
Net earnings	51	(24)	50	6	19
Less: Net earnings attributed to non-controlling interests	(1)				(1)
Net earnings attributable to Chemtura	$ 50	$ (24)	$ 50	$ 6	$ 18

Table of Contents

Condensed Consolidating Statement of Operations

Six months ended June 30, 2012

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 1,359	$ (859)	$ 768	$ 400	$ 1,050
Cost of goods sold	997	(859)	606	344	906
Selling, general and administrative	151		59	25	67
Depreciation and amortization	59		14	25	20
Research and development	23		9	5	9
Facility closures, severance and related costs	7		4	1	2
Change in estimates related to expected allowable claims	2		2		
Equity loss	2				2
Operating income	118		74		44
Interest expense	(30)		(35)	2	3
Other income (expense), net	2		(1)		3
Reorganization items, net	(3)		(3)		