

Chemtura CORP
Form 10-Q
November 07, 2008
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

**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

(State or other jurisdiction of incorporation or organization)

199 Benson Road, Middlebury, Connecticut

(Address of principal executive offices)

52-2183153

(I.R.S. Employer Identification Number)

06749

(Zip Code)

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(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.

Yes 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Class	Number of shares outstanding at September 30, 2008
Common Stock - \$.01 par value	242,489,118

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**CHEMTURA CORPORATION AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2008**

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
(In millions, except per share data)

	Quarter ended September 30, 2008		Quarter ended September 30, 2007		Nine months ended September 30, 2008		Nine months ended September 30, 2007	
Net sales	\$	924	\$	929	\$	2,856	\$	2,856
Cost of goods sold		731		727		2,231		2,197
Selling, general and administrative		80		87		253		292
Depreciation and amortization		54		59		180		192
Research and development		12		15		40		46
Facility closures, severance and related costs				9				34
Antitrust costs		1		2		12		32
Loss on sale of business		1		(1)		25		14
Impairment of long-lived assets		1		9		321		16
Equity income				(1)		(3)		(2)
Operating profit (loss)		44		23		(203)		35
Interest expense		(20)		(21)		(59)		(67)
Other income (expense), net		4		(7)		16		(11)
Earnings (loss) from continuing operations before income taxes		28		(5)		(246)		(43)
Income tax (expense) benefit		(17)		6		(37)		1
Earnings (loss) from continuing operations		11		1		(283)		(42)
Earnings from discontinued operations				3				14
(Loss) gain on sale of discontinued operations				(2)				25
Net earnings (loss)	\$	11	\$	2	\$	(283)	\$	(3)
Basic and Diluted earnings (loss) per common share:								
Earnings (loss) from continuing operations	\$	0.05	\$	0.01	\$	(1.17)	\$	(0.17)
Earnings from discontinued operations				0.01				0.06
(Loss) gain on sale of discontinued operations				(0.01)				0.10
Net earnings (loss)	\$	0.05	\$	0.01	\$	(1.17)	\$	(0.01)
Dividends per common share	\$	0.05	\$	0.05	\$	0.15	\$	0.15
Weighted average shares outstanding - basic and diluted		242.4		241.9		242.3		241.4

See accompanying notes to consolidated financial statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In millions, except per share data)

	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 107	\$ 77
Accounts receivable	287	389
Inventories	720	676
Other current assets	212	239
Total current assets	1,326	1,381
NON-CURRENT ASSETS		
Property, plant and equipment	923	1,032
Goodwill	943	1,309
Intangible assets, net	537	585
Other assets	150	109
	\$ 3,879	\$ 4,416
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 379	\$ 5
Accounts payable	261	285
Accrued expenses	301	353
Income taxes payable	66	38
Total current liabilities	1,007	681
NON-CURRENT LIABILITIES		
Long-term debt	717	1,058
Pension and post-retirement health care liabilities	322	361
Other liabilities	351	463
STOCKHOLDERS EQUITY		
Common stock - \$0.01 par value		
Authorized - 500.0 shares		
Issued - 254.0 shares at September 30, 2008 and 253.6 shares at December 31, 2007	3	3
Additional paid-in capital	3,036	3,028
Accumulated deficit	(1,499)	(1,179)
Accumulated other comprehensive income	109	168
Treasury stock at cost - 11.5 shares	(167)	(167)
Total stockholders equity	1,482	1,853
	\$ 3,879	\$ 4,416

See accompanying notes to consolidated financial statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

Increase (decrease) in cash	Nine months ended September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (283)	\$ (3)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on sale of business	25	14
Gain on sale of discontinued operations		(25)
Impairment of long-lived assets	321	16
Depreciation and amortization	180	197
Stock-based compensation expense	6	8
Equity income	(3)	(2)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(3)	1
Accounts receivable - securitization	75	24
Inventories	(96)	23
Accounts payable	(17)	(33)
Pension and post-retirement health care liabilities	(28)	(10)
Other	(83)	(39)
Net cash provided by operating activities	94	171
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from divestments	68	157
Payments for acquisitions, net of cash acquired	(37)	(164)
Capital expenditures	(94)	(73)
Net cash used in investing activities	(63)	(80)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from credit facility, net	70	
Proceeds on long term borrowings	1	
Payments on long term borrowings	(31)	
Payments on short term borrowings		(46)
Dividends paid	(36)	(36)
Proceeds from exercise of stock options	1	7
Other financing activities		(1)
Net cash used in (provided by) financing activities	5	(76)
CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	(6)	4
Change in cash and cash equivalents	30	19
Cash and cash equivalents at beginning of period	77	95
Cash and cash equivalents at end of period	\$ 107	\$ 114

See accompanying notes to consolidated financial statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The information in the foregoing consolidated financial statements for the quarter and nine months ended September 30, 2008 and September 30, 2007 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 the consolidated financial statements.

The foregoing consolidated financial statements include the accounts of Chemtura Corporation and the wholly-owned and majority-owned subsidiaries that it controls, which are collectively referred to as the Company. Other affiliates in which the Company has 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 the Company has less than 20% ownership are recorded at cost. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's 2007 Annual Report on Form 10-K. The consolidated results of operations for the quarter and nine months ended September 30, 2008 are not necessarily indicative of the results expected for the full year.

ACCOUNTING POLICIES

Operating Costs and Expenses

Cost of goods sold (COGS) includes all costs incurred in manufacturing goods, including raw materials, direct manufacturing costs and manufacturing overhead. COGS also includes warehousing, distribution, engineering, purchasing, customer service, environmental, health and safety functions, and shipping and handling costs for outbound product shipments. Selling, general and administrative expenses (SG&A) include costs and expenses related to the following functions and activities: selling, advertising, legal, provision for doubtful accounts, corporate facilities and corporate administration. SG&A also includes accounting, information technology, finance and human resources, excluding direct support in manufacturing operations, which is included as COGS. Research and development expenses (R&D) include basic and applied R&D activities of a technical and non-routine nature. R&D costs are expensed as incurred. COGS, SG&A and R&D expenses exclude depreciation and amortization expenses, which are presented on a separate line in the consolidated statements of operations.

Other income (expense), net

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Other income (expense), net includes costs associated with the Company's securitization programs, foreign exchange gains (losses), interest income and minority interest income (expense).

Other Items

Cash and cash equivalents include bank term deposits with original maturities of three months or less. Included in cash and cash equivalents in the Company's consolidated balance sheets at September 30, 2008 and December 31, 2007 are \$1 million and \$2 million, respectively, of restricted cash that is required to be on deposit to support certain letters of credit and performance guarantees, the majority of which will be settled within one year.

Included in accounts receivable are allowances for doubtful accounts of \$32 million at both September 30, 2008 and December 31, 2007.

During the first nine months of 2008 and 2007, the Company made interest payments of approximately \$60 million and \$67 million, respectively. During the first nine months of 2008 and 2007, the Company made payments for income taxes (net of refunds) of \$28 million and \$35 million, respectively.

On October 31, 2008, the Company announced that it would suspend payment of dividends to conserve cash and expand liquidity.

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Earnings from discontinued operations for the third quarter of 2007 were \$3 million (net of \$2 million of tax) and primarily reflect the operations of the fluorine and optical monomers businesses that were subsequently sold. Earnings from discontinued operations in the nine months ended September 30, 2007 of \$14 million (net of \$7 million of tax) primarily represent the operations of the EPDM, fluorine and optical monomers businesses that were subsequently sold.

Loss on sale of discontinued operations in the third quarter of 2007 of \$2 million (net of \$1 million of tax) related to the sale of the EPDM business. The gain on sale of discontinued operations in the nine months ended September 30, 2007 of \$25 million (net of \$13 million of tax), represents \$23 million related to the sale of the EPDM business and \$2 million related to the final contingent earn-out proceeds related to the sale of the OrganoSilicones business.

ACCOUNTING DEVELOPMENTS

Implemented in 2008

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The provisions of FAS 159 are effective as of the beginning of the Company's 2008 fiscal year. The Company elected to not fair value existing eligible items, beginning January 1, 2008.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (FAS 157), which establishes a comprehensive framework for measuring fair value and expands disclosures about fair value measurements. The provisions of FAS 157, specifically for financial assets and liabilities, are effective as of the beginning of the Company's 2008 fiscal year. The Company values financial instruments using Level 2, observable inputs. The Company carries derivative instruments at fair value.

Future Implementations

In February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of FAS 157 for all nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact that the application of FAS 157 to its nonfinancial assets and liabilities will have on its consolidated results of operations.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 (FAS 160), which will require companies to treat noncontrolling interests (commonly referred to as minority interest) as a separate component of shareholders' equity and not as a liability. The provisions of FAS 160 are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 160 on its consolidated financial position and results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations* (FAS 141(R)), which requires that identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination be recorded at full fair value. The provisions of FAS

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141(R) are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 141(R) on its consolidated financial position and results of operations.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (FAS 161), which will require companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS 133, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The provisions of FAS 161 are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 161 on its consolidated financial position and results of operations.

Table of Contents2) COMPREHENSIVE (LOSS) INCOME

An analysis of the Company's comprehensive (loss) income follows:

(In millions)	Quarter ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net earnings (loss)	\$ 11	\$ 2	\$ (283)	\$ (3)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(148)	63	(58)	124
Unrecognized pension and other post-retirement benefit costs (net of tax)	1	1	(1)	4
Change in fair value of derivatives (net of tax)	(4)			6
Comprehensive (loss) income	\$ (140)	\$ 66	\$ (342)	\$ 131

The components of accumulated other comprehensive income at September 30, 2008 and December 31, 2007 are as follows:

(In millions)	September 30, 2008	December 31, 2007
Foreign currency translation adjustment	\$ 194	\$ 252
Unrecognized pension and other post-retirement benefit costs (net of tax)	(85)	(84)
Accumulated other comprehensive income	\$ 109	\$ 168

Reclassifications from other comprehensive income to earnings related to the Company's natural gas price swap contracts aggregated to an immaterial pre-tax loss and a \$1 million pre-tax loss during the quarters ended September 30, 2008, and 2007, respectively, and a \$1 million pre-tax loss and an \$10 million pre-tax loss during the nine months ended September 30, 2008 and 2007, respectively.

3) ACQUISITIONS AND DIVESTITURESBaxenden and GLCC Laurel Acquisitions

On February 29, 2008, the Company acquired the remaining stock of Baxenden Chemicals Limited Plc for approximately \$26 million. Assets acquired included plant, property and equipment of \$18 million; accounts receivable of \$7 million; intangible assets of \$7 million; goodwill of \$6 million; inventory of \$4 million and other assets of \$3 million offset by a pension liability of \$7 million; accounts payable of \$6 million; deferred taxes of \$5 million and accrued expenses of \$1 million.

On March 12, 2008, the Company purchased the remaining interest in GLCC Laurel, LLC for a note payable of \$11 million. The note was paid in September 2008. As GLCC Laurel, LLC was already being consolidated by the Company, the purchase price was allocated to reduce the minority interest liability by \$23 million. The value of the long-lived assets was reduced by \$14 million (as the fair value of the assets exceeded the purchase price). The residual purchase price was allocated to other assets.

Other Items

Fluorine Divestiture

On January 31, 2008, the Company completed the sale of its fluorine chemical business located at the Company's El Dorado, Arkansas facility for an immaterial net loss. The assets sold consisted of patents and intangible assets of \$12 million, inventory of \$8 million, fixed assets of \$8 million and other current liabilities of \$1 million. The fluorine chemical business had revenues of approximately \$49 million in 2007. The fluorine chemical business is reported as a discontinued operation in the accompanying consolidated financial statements.

Oleochemicals Divestiture

On February 29, 2008, the Company completed the sale of its oleochemicals business and recorded a net loss of \$26 million. The assets sold included inventory of \$26 million, accounts receivable of \$24 million, goodwill of \$12 million, net fixed assets of \$7 million, and intangible assets of \$1 million. The oleochemicals business had revenues of approximately \$175 million in 2007. Proceeds from the transaction were used to reduce debt.

Table of Contents4) ACCOUNTS RECEIVABLE PROGRAMS

The Company has a committed domestic accounts receivable securitization program to provide funding for up to \$275 million of domestic receivables to agent banks until August 28, 2010. Accounts receivable sold under this program were \$136 million and \$119 million as of September 30, 2008 and December 31, 2007, respectively. Under the domestic program, certain subsidiaries of the Company sell their accounts receivable to a special purpose entity (SPE) that has been created for the purpose of acquiring such receivables and selling an undivided interest therein to agent banks. In accordance with the domestic sale agreement, the agent banks purchase an undivided ownership interest in the accounts receivable owned by the SPE. The amount of such undivided ownership interest will vary based on the level of eligible accounts receivable as defined in the agreement. In addition, the agent banks retain a security interest in all the receivables owned by the SPE, which was \$149 million and \$163 million as of September 30, 2008 and December 31, 2007, respectively. The balance of the unsold receivables owned by the SPE is included in the Company's accounts receivable balance on the consolidated balance sheet.

In addition, the Company's European subsidiaries have a separate program to sell up to approximately \$254 million of their eligible accounts receivable to an agent bank as of September 30, 2008. International accounts receivable sold under this program were \$177 million and \$120 million as of September 30, 2008 and December 31, 2007, respectively. Under the international program, certain foreign subsidiaries of the Company sell eligible accounts receivable directly to agent banks.

The total costs associated with these programs of \$4 million and \$5 million for the quarters ended September 30, 2008 and 2007, respectively, and \$12 million and \$16 million for the nine months ended September 30, 2008 and 2007, respectively, are included in other income (expense), net in the consolidated statements of operations. During the period, the Company had an obligation to service the accounts receivable sold under its domestic and international programs. The Company has treated the transfer of receivables under its domestic and international receivable programs as a sale of accounts receivable.

5) INVENTORIES

Components of inventories are as follows:

(In millions)	September 30, 2008	December 31, 2007
Finished goods	\$ 442	\$ 437
Work in process	39	48
Raw materials and supplies	239	191
	\$ 720	\$ 676

Included in the above net inventory balances are inventory obsolescence reserves of approximately \$32 million and \$40 million at September 30, 2008 and December 31, 2007, respectively.

6) PROPERTY, PLANT AND EQUIPMENT

(In millions)	September 30, 2008	December 31, 2007
Land and improvements	\$ 87	\$ 94
Buildings and improvements	238	208
Machinery and equipment	1,227	1,384
Information systems equipment	194	201
Furniture, fixtures and other	63	65
Construction in progress	117	87
	1,926	2,039
Less accumulated depreciation	1,003	1,007
	\$ 923	\$ 1,032

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Depreciation expense from continuing operations amounted to \$43 million and \$48 million for the quarters ended September 30, 2008 and 2007, respectively, and \$148 million and \$163 million for the nine months ended September 30, 2008 and 2007, respectively. Depreciation expense from continuing operations includes accelerated depreciation of certain fixed assets associated with the Company's restructuring programs, divestment activities and the consolidation of its legacy ERP systems of \$8 million and \$10 million for the quarters ended September 30, 2008 and 2007, respectively, and \$39 million and \$46 million for the nine months ended September 30, 2008 and 2007, respectively.

An impairment charge of \$1 million was recorded in the third quarter of 2008 related to the Company's Catenoy, France facility in accordance with FASB Statement No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets.

7) GOODWILL AND INTANGIBLE ASSETS

Goodwill by reportable segment is as follows:

(In millions)	Polymer Additives	Performance Specialties	Consumer Products	Crop Protection	Total
December 31, 2007	\$ 488	\$ 180	\$ 584	\$ 57	\$ 1,309
Impairment charges			(320)		(320)
Baxenden acquisition		6			6
Tax adjustments	(20)	(5)			(25)
Sale of oleochemicals	(12)				(12)
Foreign currency translation and other	(10)	(2)	(3)		(15)
September 30, 2008	\$ 446	\$ 179	\$ 261	\$ 57	\$ 943

The Company has elected to perform its annual goodwill impairment procedures for all of its reporting units in accordance with Statement No. 142, Goodwill and Other Intangible Assets as of July 31, or sooner, if events occur or circumstances change that could reduce the fair value of a reporting unit below its carrying value. The Company estimates the fair value of its reporting units utilizing income and market approaches through the application of discounted cash flow and market comparable methods. The assessment is required to be performed in two steps, step one to test for a potential impairment of goodwill and, if potential losses are identified, step two to measure the impairment loss via a full fair valuing of the assets and liabilities of the reporting unit utilizing the purchase method of accounting.

During the quarter ended June 30, 2008, the Company updated its long-term financial projections for each of its businesses. The projections for the Consumer Products segment indicated an inability to sustain the level of goodwill associated with that segment. An estimated goodwill impairment charge of \$320 million was recorded in this reporting unit in the second quarter of 2008. The Company finalized its review of the estimated charge in the third quarter of 2008 and no change to the estimated charge was required.

The Company's cash flow projections, used to estimate the fair value of its reporting units, are based on subjective estimates. Although the Company believes that its projections reflect its best estimates of the future performance of its reporting units, changes in estimated revenues or operating margins could have an impact on the estimated fair values. Any increases in estimated reporting unit cash flows would have had no impact on the carrying value of that reporting unit. However, a decrease in future estimated reporting unit cash flows could require the Company to determine whether recognition of a goodwill impairment charge was required. Based on the estimated fair values used to test goodwill for impairment in accordance with FASB Statement No. 142, the Company concluded that no impairment existed in any of its

reporting units at July 31, 2008.

As the third quarter of 2008 progressed, significant weakness developed in global financial markets, resulting in decreases in the valuation of public companies and restricted availability of capital. Further, it appears that the global economy may be entering into a recession. During this period, the Company's stock price has fallen to a value that is at a significant discount to the per share value of the Company's book value. These events were of sufficient magnitude for the Company to conclude that it was appropriate to perform a goodwill impairment review as of September 30, 2008.

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With the speed of events, there is not yet a body of forecast information to assess the likely intensity or duration of the recession or quantify the likely impact on the markets it supplies. Additionally, the financial crisis has been accompanied by reductions in spot commodity prices that may result in a reversal of the raw material inflation the Company has experienced during the last year. The Company has therefore used its own current estimates of the effects of the macroeconomic changes on the markets it serves to develop an updated view of its projections. Those updated projections have been used to compute updated estimated fair values of its reporting units. Based on these estimated fair values used to test goodwill for impairment in accordance with FASB Statement No. 142, the Company concluded that no impairment existed in any of its reporting units at September 30, 2008.

In reviewing the goodwill impairment test as of September 30, 2008, the Company concluded:

- If the operating margin used in estimating the fair value of the Polymer Additives reporting unit were assumed to be 50 basis points lower in all forecast periods, the carrying value of the reporting unit would exceed the estimated fair value by approximately \$40 million.
- If the operating margin used in estimating the fair value of the Consumer Products reporting unit were assumed to be 50 basis points lower in all forecast periods, the carrying value of the reporting unit would exceed the estimated fair value by approximately \$125 million.

As these scenarios evidence, the Polymer Additives and Consumer Products reporting units are particularly sensitive to any further revisions in its future projections. If either of these events occurred, the Company would then determine whether recognition of a goodwill impairment charge would be required.

The Company continually monitors and evaluates business and competitive conditions that affect its operations and reflects the impact of these factors in its financial projections. The Company also monitors its stock price over time as an indicator of changes in the fair value of its business. If permanent or sustained changes in business, competitive conditions or stock price occur, they can lead to revised projections that could potentially give rise to impairment charges.

The Company's intangible assets (excluding goodwill) are comprised of the following:

(In millions)	September 30, 2008			December 31, 2007		
	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	\$ 138	\$ (50)	\$ 88	\$ 143	\$ (44)	\$ 99
Trademarks	318	(73)	245	330	(65)	265
Customer relationships	159	(34)	125	164	(29)	135
Production rights	45	(14)	31	45	(11)	34
Other	89	(41)	48	91	(39)	52
Total	\$ 749	\$ (212)	\$ 537	\$ 773	\$ (188)	\$ 585

The decrease in gross intangible assets since December 31, 2007 is primarily due to the sale of the fluorine and oleochemicals businesses and foreign currency translation, partially offset by additions of assets when the Company acquired the remaining stock of Baxenden Chemicals Limited Plc. Assets acquired in the Baxenden transaction included patents of \$1 million (weighted average useful life of 7 years), trademarks of \$1 million (useful life of 25 years) and customer relationships of \$5 million (useful life of 30 years).

Amortization expense from continuing operations related to intangible assets amounted to \$10 million and \$11 million for the quarters ended September 30, 2008 and 2007, respectively, and \$32 million and \$29 million for the nine months ended September 30, 2008 and 2007, respectively.

8) INDEBTEDNESS

The Company is a party to a senior credit agreement that provides revolving credit and letter of credit facilities up to an amount of \$750 million (\$740 million currently committed by the lenders). The facilities are committed until July 2010. At September 30, 2008, drawings under the senior credit agreement were \$70 million. There were no borrowings under the senior credit agreement at December 31, 2007.

On November 5, 2008, Standard and Poor's Ratings Service lowered its corporate credit and senior unsecured debt ratings on Chemtura to BB- from BB. Their ratings outlook is negative. As a result of the reduction in the rating, under the terms of its senior credit facility, the spread over LIBOR for advances under the facility increases from 1.25% to 1.60%.

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In February 2008, the Company repurchased \$30 million of its then outstanding \$400 million 7% Notes Due 2009 (2009 Notes). The loss associated with the early extinguishment of the debt was immaterial for the nine months ended September 30, 2008.

The Company and the Domestic Subsidiary Guarantors are required to provide a security interest in the stock of their first tier subsidiaries and other equity interests (limited to 66% of the voting stock of first-tier foreign subsidiaries) pursuant to a covenant in the Company's credit facility. Additionally, under the terms of the indentures for the 2009 Notes, 6.875% Notes due 2016 and the 6.875% Debentures due 2026 (the Notes), the Company would be required to secure the Notes on an equal and ratable basis with other certain indebtedness if secured debt thresholds are exceeded. The Company amended and restated its Pledge Agreement on July 31, 2007 so that the credit facility would only be secured up to the lowest debt threshold amount under the Notes.

The Company's various debt agreements contain covenants that limit the Company's ability to enter into certain transactions, such as incurring additional indebtedness, increasing the Company's dividends, and entering into acquisitions, dispositions and joint ventures. When giving notice of borrowing under the senior credit agreement, the Company is required to make certain customary representations, to the lenders, including that no material adverse change (as defined in the agreements) in the business has occurred since December 31, 2004. The Company is required to report compliance with certain financial covenants to its lenders under the senior credit agreement on a quarterly basis including two financial maintenance covenants.

- The Company is required to maintain a leverage ratio (adjusted total debt (Total Debt) to adjusted earnings before interest, taxes, depreciation and amortization (Bank EBITDA) where Total Debt must not exceed three times Bank EBITDA (with adjustments to both debt and earnings being made in accordance with the terms of the credit facility agreement). As of September 30, 2008 Total Debt was 2.7 times Bank EBITDA.

- An interest coverage ratio (Bank EBITDA to interest expense as defined in the credit facility agreement) where Bank EBITDA must be at least 4.5 times interest expense. As of September 30, 2008 Bank EBITDA was 5.4 times interest expense.

The Company was in compliance with the covenants under its various debt agreements at September 30, 2008 and expects to be in compliance over the next twelve months and future periods.

The 2009 Notes, which mature in July 2009, have been classified under short-term borrowings as of September 30, 2008. The Company intends to refinance its 2009 Notes with the issuance of new long-term financing or proceeds from the sale of assets. Should financial market conditions preclude a long-term refinancing prior to the maturity, the Company will refinance the notes from other sources of liquidity including utilizing its existing \$750 million senior credit agreement that is not due until July 2010. The Company would then refinance the debt with long-term debt when market conditions permit. The Company expects to have sufficient availability under the senior credit agreement in the period ending July 2009 to permit the redemption of the full amount of the 2009 Notes.

9) INCOME TAXES

The Company and the Domestic Subsidiary Guarantors are required to provide a security interest in the stock of the

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The Company reported income tax expense from continuing operations for the quarter ended September 30, 2008 of \$17 million and an income tax benefit of \$6 million for the quarter ended September 30, 2007. The Company reported income tax expense from continuing operations of \$37 million for the nine months ended September 30, 2008 and an income tax benefit of \$1 million for the nine months ended September 30, 2007. The Company has established a valuation allowance against the tax benefits associated with the Company's year to date U.S. net operating loss. The Company will continue to adjust its tax provision rate through the establishment, or release, of the non-cash valuation allowance attributable to currently generated U.S. pre-tax losses until such time as the U.S. operations have evidenced the ability to consistently generate income such that in future periods the Company can expect that the deferred tax assets can be utilized on a more-likely-than-not basis.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) as of January 1, 2007.

The Company has net liabilities related to unrecognized tax benefits of \$52 million at September 30, 2008 and \$66 million at December 31, 2007. The change primarily relates to the settlement of tax audits.

In accordance with FIN 48, the Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. Accrued interest and penalties are included within the related liability lines in the consolidated balance sheet.

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The Company believes it is reasonably possible that its unrecognized tax benefits may decrease approximately \$15 million within the next year. This reduction may occur due to the conclusion of examinations by tax authorities. The Company further expects that the amount of unrecognized tax benefits will continue to change as the result of ongoing operations, the outcomes of tax audits, and the passing of statutes of limitations. This change is not expected to have a significant impact on the results of operations or the financial position of the Company.

During the quarter ended June 30, 2008, the Company established a valuation allowance of \$10 million against deferred tax assets in Brazil as management has concluded that it is not likely that, based on prior year's cumulative losses, the deferred tax assets will be realized as the entity's profitability is unlikely to increase to a level that can utilize these assets in the near term.

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 equivalent shares outstanding. The computation of diluted earnings per common share equals the basic earnings per common share for the nine months ended September 30, 2008 and 2007 since the common stock equivalents were antidilutive as a result of the Company's net loss from continuing operations. The Company had no common stock equivalents for the quarters ended September 30, 2008 and 2007 and nine months ended September 30, 2008. Common stock equivalents amount to 0.7 million shares for the nine months ended September 30, 2007.

Shares used in the computations for the quarters ended September 30, 2008 and 2007 are 242.4 million and 241.9 million, respectively, and for the nine months ended September 30, 2008 and 2007 are 242.3 million and 241.4 million, respectively.

The Company's outstanding stock options of 13.0 million and 9.1 million shares at September 30, 2008 and 2007, respectively, were excluded from the calculation of diluted earnings per share because the exercise prices of the stock options were greater than or equal to the average price of the Company's common stock. These options could be dilutive if the average share price increases and is greater than the exercise price of these options. The Company's performance-based restricted shares of 2.0 million and 1.6 million at September 30, 2008 and 2007, respectively, were also excluded from the calculation of diluted earnings per share because the specified performance criteria for the vesting of these shares had not yet been met. These restricted shares could be dilutive in the future if the specified performance criteria are met.

11) STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted the provisions of FASB Statement No. 123 (revised 2004), Share-Based Payment. Stock-based compensation expense, including amounts for restricted stock and options, was \$1 million and \$2 million for the quarters ended September 30, 2008 and 2007, respectively and \$6 million and \$8 million for the nine month periods ended September 30, 2008 and 2007, respectively. In 2008 and 2007, stock-based compensation expense was primarily reported in SG&A.

Stock Option Plans

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In February 2008, the Company's Board of Directors approved the grant of options covering 2.7 million shares, with an exercise price equal to the fair market value of the underlying common stock at the date of grant. These options will vest ratably over a four-year period.

The Company uses the Black-Scholes option-pricing model to determine the compensation expense related to stock options. The Company has elected to recognize compensation cost for option awards granted equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. Using this method, the weighted average fair value of stock options granted during the quarters ended September 30, 2008 and 2007 was \$2.50 and \$4.72, respectively, and for the nine months ended September 30, 2008 and 2007 was \$3.39 and \$5.40, respectively. Total remaining unrecognized compensation cost associated with unvested stock options at September 30, 2008 was \$8 million, which will be recognized over the weighted average period of approximately one year.

Restricted Stock Plans

In February 2008, the Board of Directors granted long-term incentive awards in the amount of 0.4 million shares of restricted stock, which will vest three and a half years from the date of grant.

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In February 2008, the Board of Directors approved a grant of long-term incentive awards of restricted stock, which carries a performance condition requirement. The performance award will be based on accomplishment against goal for 2008, 2009, and 2010 cumulative earnings before interest, taxes, depreciation and amortization (EBITDA). Results of EBITDA will be adjusted to exclude certain categories of income and expense as defined in the award. The awards are for a maximum of 0.8 million shares. Share awards based upon the achievement of the performance milestones will become vested and distributed on February 1, 2011.

Additionally, in February 2008, grants of 0.1 million shares of restricted stock were approved to non-employee directors, which are to be paid out upon retirement from the Chemtura Board of Directors. The grants of shares do not contain market condition requirements.

Total remaining unrecognized compensation cost associated with unvested restricted stock awards at September 30, 2008 was \$6 million, which will be recognized over the weighted average period of approximately one year.

12) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

On December 31, 2006 the Company adopted SFAS 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106, 132(R) (FAS 158). FAS 158 requires that, no later than 2008, the Company's assumptions used to measure the annual pension and postretirement benefit expense be determined as of the balance sheet date and all plan assets and liabilities be reported as of that date. Accordingly, as of the beginning of the 2008 fiscal year, the Company changed the measurement date for the annual pension and postretirement benefit expense and all plan assets and liabilities from November 30 to the year-end balance sheet date. As a result of this change in measurement date, the Company recorded an after tax increase of \$1 million to accumulated deficit as of January 1, 2008.

Components of the Company's defined benefit plans net periodic benefit (credit) cost for the quarter and nine months ended September 30, 2008 and 2007 are as follows:

(In millions)	Qualified Domestic Plans Quarter ended September 30,		International and Non-Qualified Plans Quarter ended September 30,		Post-Retirement Health Care Plans Quarter ended September 30,	
	2008	2007	2008	2007	2008	2007
Service cost	\$ 2	\$ 11	\$ 7	\$ 5	\$ 2	\$ 3
Interest cost	12	11	7	5	2	3
Expected return on plan assets	(15)	(15)	(6)	(3)		(1)
Amortization costs	1	2	1	1	1	
Curtailment and settlement losses			2			
Net periodic benefit (credit) cost	\$ 2	\$ (2)	\$ 4	\$ 5	\$ 3	\$ 2

Qualified Domestic Plans Nine months ended September 30,	International and Non-Qualified Plans Nine months ended September 30,	Post-Retirement Health Care Plans Nine months ended September 30,
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(In millions)	2008		2007		2008		2007					
Service cost	\$	3	\$	1	\$	3	\$	5	\$	1	\$	1
Interest cost		35		34		20		14		7		8
Expected return on plan assets		(47)		(46)		(17)		(8)		(2)		(2)
Amortization costs		4		5		2		2		2		(1)
Curtailment and settlement (gains) losses						(5)(a)						
Net periodic benefit (credit) cost	\$	(5)	\$	(6)	\$	3	\$	13	\$	8	\$	6

(a) For the nine months ended September 30, 2008, the Company recorded a curtailment gain of \$6 million due to the decision to eliminate future earnings benefits of participants in certain international pension plans along with a settlement loss of \$1 million for certain participants whose positions were eliminated.

The Company contributed \$8 million and \$12 million to its domestic non-qualified and international pension plans, respectively, for the nine months ended September 30, 2008. Contributions to post-retirement health care plans for the first nine months of 2008 were \$13 million. The Company expects additional contributions of approximately \$8 million and \$5 million to its international and non-qualified pension plans and post-retirement health care plans in the fourth quarter of 2008, respectively. No 2008 contributions are projected for the qualified domestic plans. The Company's funding assumptions for

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its domestic pension plans assume no significant change with regard to demographics, legislation, plan provisions, or actuarial assumptions or methods to determine the estimated funding requirements.

In light of current equity market conditions, it is anticipated that the fair value of the equity assets of the Company's qualified domestic and international pension plans will have declined during 2008. This will likely result in an increase in the net periodic cost of these plans in 2009 and increase the Company's contributions to the plans in future years. The conditions in the financial markets may also result in changes in the discount rate and expected rate of return used in the actuarial computations related to the plans.

13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses price swap contracts as cash flow hedges to convert a portion of its forecasted natural gas purchases from variable price to fixed price purchases. These contracts are designated as hedges of a portion of the Company's forecasted natural gas purchases. These contracts involve the exchange of payments over the life of the contracts without an exchange of the notional amount upon which the payments are based. The differential paid or received as natural gas prices change is recognized as an adjustment to cost of goods sold.

In the fourth quarter of 2007, the Company ceased the purchase of additional price swap contracts as cash flow hedges of forecasted natural gas purchases and established fixed price contracts with physical delivery with its natural gas vendor. The existing price swap contracts mature through 2009.

The following table summarizes the unrealized (gains) and losses related to certain cash flow hedging for the quarters and nine months ended September 30, 2008 and 2007:

(in millions)	Quarter ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cash flow hedges (in accumulated other comprehensive income):				
Balance at beginning of period	\$ 4	\$ 1	\$	\$ 7
Natural gas - net change in fair value, net of tax	(4)	1		
Natural gas - loss reclassified to earnings, net of tax		(1)		(6)
Balance at end of period, net of tax	\$	\$ 1	\$	\$ 1

The Company has exposure to changes in foreign currency exchange rates resulting from transactions entered into by the Company and its foreign subsidiaries in currencies other than their local currency (primarily trade payables and receivables). The Company is also exposed to currency risk on intercompany transactions (including intercompany loans). The Company purchases foreign currency forward contracts to manage these transactional currency risks on a consolidated basis.

At September 30, 2008, the fair value of derivative instruments for foreign currency forward contracts result in assets and liabilities of \$12 million and \$3 million, respectively. These fair values were measured based upon quoted prices for similar assets and liabilities in active

markets.

14) ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations include estimates for all asset retirement obligations identified for its worldwide facilities. The Company's 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 30 facilities; legal obligations to close approximately 96 brine supply, brine disposal, waste disposal, and hazardous waste injection wells and the related pipelines at the end of their useful lives; and decommissioning and decontamination obligations that are legally required to be fulfilled upon closure of approximately 40 of the Company's manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarter and nine month periods ended September 30, 2008 and 2007 and the net book value of assets related to the asset retirement obligations at September 30, 2008 and 2007:

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(In millions)	Quarter ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Asset retirement obligation balance at beginning of period	\$ 25	\$ 30	\$ 26	\$ 24
Accretion expense cost of goods sold			3	8
Revisions to estimates			1	1
Payments	(2)	(4)	(7)	(7)
Asset retirement obligation balance at end of period	\$ 23	\$ 26	\$ 23	\$ 26
Net book value of asset retirement obligation assets at end of period	\$ 2	\$ 1	\$ 2	\$ 1
Depreciation expense	\$	\$	\$	\$ 1

At September 30, 2008, \$4 million of the asset retirement obligation was included in accrued expenses and \$19 million was included in other liabilities on the consolidated balance sheet. At December 31, 2007, \$13 million was included in accrued expenses and \$13 million was included in other liabilities.

15) RESTRUCTURING ACTIVITIES

In the second quarter of 2007, the Company commenced a world-wide restructuring program to improve performance and growth, which included the realignment of its business segments, streamlining of the organization, reevaluation of its manufacturing footprint, the redirection of efforts to focus on end-use markets, and the closure of the antioxidant facilities at Pedrengo and Ravenna, Italy and two intermediate chemical product lines at Catenoy, France. These programs were substantially completed as of December 31, 2007. The Company recorded pre-tax charges of \$2 million and \$35 million for the nine months ended September 30, 2008 and 2007, respectively, mainly for severance related to these programs.

Additionally, the Company recorded pre-tax credits of \$2 million during the first nine months of 2008 and \$3 million during the first nine months of 2007 primarily related to the reversal of a portion of the reserve at its Tarrytown, NY facility due to a favorable change in the sublet agreement for space at that location. During the first nine months of 2007, the Company recorded a pre-tax charge of \$2 million related to its 2006 cost savings initiatives to support its continuing efforts to become more efficient and reduce costs.

A summary of the reserves for all the Company's cost savings and restructuring programs are as follows:

(In millions)	Severance and Related Costs	Other Facility Closure Costs	Total
Balance at January 1, 2008	\$ 23	\$ 6	\$ 29
2008 charges	2	(2)	
Cash payments	(20)	(2)	(22)
Foreign currency translation	1		1
Balance at September 30, 2008	\$ 6	\$ 2	\$ 8

At September 30, 2008, \$7 million of the above reserves were included in accrued expenses and \$1 million were included in other liabilities on the consolidated balance sheet. At December 31, 2007, \$27 million were included in accrued expenses and \$2 million were included in other liabilities.

16) LEGAL MATTERS

ANTITRUST INVESTIGATIONS AND RELATED MATTERS

Rubber Chemicals

On May 27, 2004, the Company pled guilty to a one-count information charging the Company with participating in a combination and conspiracy to suppress and eliminate competition by maintaining and increasing the price of certain rubber chemicals sold in the United States and elsewhere during the period from July 1995 to December 2001. The U.S. federal court imposed a fine of \$50 million, payable in six annual installments, without interest, beginning in 2004. In light of the Company's cooperation with the U.S. Department of Justice (the DOJ), the court did not impose any period of corporate

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probation. On May 28, 2004, the Company pled guilty to one count of conspiring to lessen competition unduly in the sale and marketing of certain rubber chemicals in Canada. The Canadian federal court imposed a sentence requiring the Company to pay a fine of CDN \$9 million (approximately U.S. \$7 million), payable in six annual installments, without interest, beginning in 2004. The Company paid (in U.S. dollars) \$2 million in 2005, \$7 million in 2006, \$12 million in 2007 and \$16 million in 2008. Remaining cash payments for the US and Canadian fines are expected to be approximately \$19 million in 2009. At September 30, 2008, a reserve of \$18 million related to these settlements has been included in accrued expenses on the Company's consolidated balance sheet. At December 31, 2007, reserves of \$17 million and \$17 million were included in accrued expenses and other liabilities, respectively.

European Union (EU) Investigations

The Company and certain of its subsidiaries are subjects of, and continue to cooperate in, an investigation being conducted by the European Commission (the EC) with respect to possible antitrust violations relating to the sale and marketing of various classes of heat stabilizers. Such investigations concern anticompetitive practices, including price fixing and customer or market allocations, undertaken by the Company and such subsidiaries and certain of their officers and employees. The Company and its subsidiaries that are subject to the investigations have received from the EC written assurances of conditional amnesty with respect to certain classes of heat stabilizers. The assurances of amnesty are conditioned upon several factors, including continued cooperation with the EC. The Company is actively cooperating with the EC regarding the heat stabilizer investigation.

Civil Lawsuits

The actions described below under "U.S. Civil Antitrust Actions" are in various procedural stages of litigation. Although the actions described below have not had a material adverse impact on the Company, we cannot predict the outcome of any of those actions. The Company will seek cost-effective resolutions of the various pending and threatened legal proceedings against the Company; however, the resolution of any civil claims now pending or hereafter asserted against the Company or any of its subsidiaries could have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company has established reserves for all direct and indirect purchaser claims as of September 30, 2008.

The Company reviews its reserves for civil lawsuits on a quarterly basis. The Company also adjusts its reserves quarterly to reflect its current best estimates.

U.S. Civil Antitrust Actions

Direct and Indirect Purchaser Lawsuits. The Company, individually or together with its subsidiary Uniroyal Chemical Company, Inc., now merged into Chemtura Corporation (referred to as "Uniroyal" for the purposes of the description of the Company's lawsuits), and other companies, are defendants in various proceedings filed in state and federal courts, described below.

Federal Lawsuits. The Company and certain of its subsidiaries continues to be a defendant in two lawsuits pending in the federal courts. One of these suits is a Massachusetts indirect purchaser claim premised upon violations of state law. The suit was originally filed in Massachusetts state court in May 2005 as an indirect purchaser action, and was subsequently removed to the United States District Court, District of Massachusetts. The complaint initially related to purchases of any product containing rubber and urethane products, defined to include EPDM, nitrile rubber and urethanes, but is now limited to urethanes only. On September 12, 2008, the Company received final court approval of a settlement agreement covering this action. The other suit, described separately below under the sub-heading "Bandag" was originally filed as a direct purchaser suit on June 29, 2006 in the United States District Court, Middle District of Tennessee and was subsequently transferred to the United States District

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Court, Northern District of California. In both of these actions, and in all actions pending in state courts (further described below), the plaintiffs seek, among other things, treble damages, costs (including attorneys' fees) and injunctive relief preventing further violations or the improper conduct alleged in the complaint. Neither of these federal suits is expected to have a material adverse effect on the Company.

Bandag. This suit was originally brought by Bridgestone Americas Holding, Inc, Bridgestone Firestone North American Tire, LLC, and Pirelli Tire, LLC (all of whom have since settled) along with the remaining plaintiff, Bandag Incorporated (n/k/a/ Bridgestone Bandag, LLC), with respect to purchases of rubber chemicals from the Company, Uniroyal and several of the world-wide leading suppliers of rubber chemicals. This suit alleges that the Company and Uniroyal, along with other rubber chemical manufacturers conspired to fix the prices of the rubber chemicals, and to divide the rubber chemicals markets in violation of Section 1 of the Sherman Act. Bandag Incorporated, a designer and manufacturer of tire re-treading, directly purchased from the Company and from the other defendants to this suit, and in doing so, claims to have paid artificially inflated prices for rubber chemicals. Bandag has requested treble damages, costs (including attorneys' fees) and such other relief as the court may deem appropriate. The Company has agreed to utilize a litigated and binding arbitration to try the claims at issue in this action.

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State Lawsuits. The Company, individually or together with Uniroyal, also continues to be a defendant in certain indirect purchaser antitrust class action lawsuits filed in state courts involving the sale of urethanes and urethane chemicals. The complaints in these actions principally allege that the defendants conspired to fix, raise, maintain or stabilize prices for urethanes and urethane chemicals, sold in the United States in violation of certain antitrust statutes and consumer protection and unfair or deceptive practices laws of the relevant jurisdictions and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities. There are currently 16 state complaints pending. On September 12, 2008, the Company received final court approval of a settlement agreement covering 4 of these actions. In addition, the Company has reached a settlement agreement covering the remaining 12 complaints, all of which are pending in a coordinated proceeding in the Superior Court of the State of California for the County of San Francisco. None of these state lawsuits individually or in the aggregate are expected to have a material adverse effect on the Company.

Australian Civil Antitrust Matters

On September 27, 2007, the Company was sued in the Federal Court of Australia for alleged price fixing violations with respect to the sale of rubber chemicals in Australia. The Company has not yet responded to the complaint, nor at this early stage, assessed its merits. On October 10, 2008, the Federal Court of Australia rendered a decision in which the applicant's Statement of Claim was struck. The applicant was given until November 21, 2008 to file a further Statement of Claim. The Company does not expect this matter will be material.

Federal Securities Class Action

The Company, certain of its former officers and directors (the Crompton Individual Defendants), and certain former directors of the Company's predecessor Witco Corp. are defendants in a consolidated class action lawsuit, filed on July 20, 2004, in the United States District Court, District of Connecticut, brought by plaintiffs on behalf of themselves and a class consisting of all purchasers or acquirers of the Company's stock between October 1998 and October 2002. The consolidated amended complaint principally alleges that the Company and the Crompton Individual Defendants caused the Company to issue false and misleading statements that violated the federal securities laws by reporting inflated financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The putative class includes former Witco Corp. shareholders who acquired their securities in the Crompton-Witco merger pursuant to a registration statement that allegedly contained misstated financial results. The complaint asserts claims against the Company and the Crompton Individual Defendants under Section 11 of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. Plaintiffs also assert claims for control person liability under Section 15 of the Securities Act of 1933 and Section 20 of the Securities Exchange Act of 1934 against the Crompton Individual Defendants. The complaint also asserts claims for breach of fiduciary duty against certain former directors of Witco Corp. for actions they allegedly took as Witco Corp. directors in connection with the Crompton-Witco merger. The plaintiffs seek, among other things, unspecified damages, interest, and attorneys' fees and costs. The Company and the Crompton Individual Defendants filed a motion to dismiss on September 17, 2004, which is now fully briefed and pending. The former directors of Witco Corp. filed a motion to dismiss in February 2005, which is pending. On July 22, 2005, the court granted a motion by the Company and the Crompton Individual Defendants to stay discovery in the related Connecticut shareholder derivative lawsuit (described below under *Shareholder Derivative Lawsuit*), pending resolution of the motion to dismiss by the Company and Crompton Individual Defendants. On April 30, 2008, the parties entered a memorandum of understanding to settle the litigation. Under the proposed settlement, defendants will pay or cause to be paid \$21 million and deny any wrongdoing or liability. The settlement's terms are being finalized by the parties.

Shareholder Derivative Lawsuit

Certain current directors and one former director and officer of the Company (the Individual Defendants) are defendants in a shareholder derivative lawsuit filed on August 25, 2003 in Connecticut state court, nominally brought on behalf of the Company. The Company is a nominal defendant in the lawsuit. The plaintiff filed an amended complaint on November 19, 2004. The amended complaint principally alleges that the Individual Defendants breached their fiduciary duties by causing or allowing the Company to issue false and misleading financial statements by inflating financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The plaintiff contends that this wrongful conduct caused the Company's financial results to be inflated, cost the Company its credibility in the marketplace and market share, and has and will continue to cost the Company millions of dollars in investigative and legal fees. The plaintiff seeks, among other things, compensatory and

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punitive damages against the director defendants in unspecified amounts, prejudgment interest, and attorneys' fees and costs. The Company filed a motion to strike all counts of the complaint on January 12, 2005 for failure to allege adequately that a pre-lawsuit demand on the Company's Board of Directors by the plaintiff would have been futile and was thus excused. This motion was subsequently denied by the court. Discovery in this lawsuit has been stayed by the United States District Court, District of Connecticut, pending resolution of the motion to dismiss filed by Company's and the Crompton Individual Defendants in the related consolidated securities class action lawsuit described above under Federal Securities Class Action. On July 25, 2008, the plaintiff filed a motion in the District of Connecticut seeking to lift the federal court's discovery stay.

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At September 30, 2008 and December 31, 2007, the Company had a remaining reserve of \$29 million and \$43 million, respectively, included in accrued expenses on its consolidated balance sheets relating to the remaining U.S. direct and indirect purchaser lawsuits, the federal securities class action lawsuit described under Federal Securities Class Action and the shareholder derivative lawsuit described under Shareholder Derivative Lawsuit. These reserves cover all direct and indirect purchaser antitrust claims. The Company periodically reviews its accruals as additional information becomes available, and may adjust its accruals based on actual settlement offers and other later occurring events. The Company is unable to estimate the reasonably possible loss, if any, in excess of the accrual as none of these claims have been reduced to judgment.

The reserve activity for antitrust related litigation is summarized as follows:

(In millions)	U.S. DOJ		Governmental		Total U.S and Canada Fines	Civil Cases		
	Fines		Canada Federal Fines			U.S. Civil and Securities Matters		
Balance January 1, 2007	\$	37	\$	6	\$	43	\$	102
Antitrust costs, excluding legal fees								24
Payments		(10)		(2)		(12)		(83)
Accretion - Interest		2				2		
Foreign currency translation				1		1		
Balance December 31, 2007		29		5		34		43
Antitrust costs, excluding legal fees								6
Payments		(14)		(2)		(16)		(20)
Balance September 30, 2008	\$	15	\$	3	\$	18	\$	29

Other

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of its present business, as well as in respect of its divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to the Company's current products and asbestos-related claims concerning premises and historic products of its corporate affiliates and predecessors. The Company believes that it has strong defenses to these claims. These claims have not had a material impact on the Company to date and the Company believes the likelihood that a future material adverse outcome will result from these claims is remote. However, the Company cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on its financial condition, results of operations, or cash flows.

17) CONTINGENCIESEnvironmental Matters

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site where the cost of remediation is probable and estimable, a determination is made of 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 the Company and the anticipated time frame over which payments toward the remediation plan will occur. At sites where

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the Company expects to incur ongoing operation and maintenance expenditures, the Company accrues on an undiscounted basis for a period, which is generally 10 years, where it believes that such costs are estimable. The total amount accrued for such environmental liabilities at September 30, 2008 and December 31, 2007, was \$112 million and \$118 million, respectively. At September 30, 2008 and December 31, 2007, environmental liabilities of \$24 million and \$27 million, respectively, have been included in accrued expenses and \$88 million and \$91 million, respectively, have been included in other liabilities on the consolidated balance sheets. The Company estimates the environmental liability could range up to \$148 million at September 30, 2008. The Company's reserves include estimates for determinable clean-up costs. During the nine months ended September 30, 2008, the Company recorded a pre-tax charge of \$5 million, to increase its environmental liabilities and made payments of \$11 million for clean-up costs, which reduced its environmental liabilities. At certain sites, the Company has contractual agreements with certain other parties to share remediation costs. The Company has a receivable of \$12 million at September 30, 2008 to reflect probable recoveries. 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. The Company intends 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

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exceed the Company's present estimates, and could have, individually or in the aggregate, a material adverse effect on the Company's financial condition, results of operations and cash flows. It is reasonably possible that the Company's 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.

The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (a PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. Because in certain circumstances these laws have been construed to authorize joint and several liability, the EPA could seek to recover all costs involving a waste disposal site from any one of the PRPs for such site, including the Company, despite the involvement of other PRPs. In many cases, the Company is one of several hundred PRPs so identified. In a few instances, the Company is the sole or one of only a handful of parties performing investigation and remediation. Where other financially responsible PRPs are involved, the Company expects that any ultimate liability resulting from such matters will be apportioned between the Company and such other parties. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad. The more significant of these matters are described below.

Conyers Clean Air Act Investigation The U.S. EPA is investigating alleged violations of law by the Company arising out of the Clean Air Act and other environmental statutes and is seeking a penalty and other relief in excess of one hundred thousand dollars. The Company intends to assert all meritorious legal defenses and will continue to assess relevant facts and attempt to negotiate an acceptable settlement with the EPA. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition.

Petrolia - In April 2004, the Company and other owners of property near our former Petrolia, Pennsylvania facility were named as defendants in a toxic tort class action lawsuit alleging contamination in and around the named areas that gave rise to certain property damage and personal injuries. The plaintiffs also sought clean-up by the defendants of the alleged contamination. On October 18, 2005, the Court issued its Memorandum Opinion and Order denying the plaintiffs' motion for class certification, and on August 2, 2006, the Pennsylvania Superior Court affirmed the lower court's opinion. Multiple lawsuits have been filed against the Company by individuals who were a part of the putative class. The matter has proceeded to the discovery phase. The Company believes that it has meritorious defenses and will be filing dispositive motions.

Legal Proceedings

Tricor This case involves two related properties in Bakersfield, California; the Oildale Refinery (the Refinery) and the Mt. Poso Tank Farm (Mt. Poso). The Refinery and Mt. Poso were previously owned and operated by a division of Witco Corp., a predecessor of the Company. In 1997, the Refinery and portions of Mt. Poso were sold to Golden Bear Acquisition Corp. Under the terms of sale, Witco retained certain environmental obligations with respect to the Refinery and Mt. Poso. Golden Bear operated the refinery for several years before filing bankruptcy in 2001. Tricor Refining LLC (Tricor) purchased the Refinery and related assets out of bankruptcy. In 2004, Tricor commenced an action against the Company alleging that the Company failed to comply with its environmental obligations.

In July 2007, the Court entered an order finding liability against Chemtura. A phase of the trial, which will determine the damages to which Tricor may be entitled, is scheduled to take place in November 2008. The Company will continue to defend this case vigorously. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition.

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Conyers - The Company and certain of its former officers and employees were named as defendants in five putative state class action lawsuits filed in three counties in Georgia and one putative class action lawsuit filed in the United States District Court for the Northern District of Georgia pertaining to the fire at the Company's Conyers, Georgia warehouse on May 25, 2004. Of the five putative state class actions, two were voluntarily dismissed by the plaintiffs, leaving three such lawsuits, all of which are now pending in the Superior Court of Rockdale County, Georgia. These remaining putative state class actions, as well as the putative class action pending in federal district court, seek recovery for economic and non-economic damages allegedly arising from the fire. Punitive damages are sought in the Davis case in Rockdale County, Georgia and in the Martin case in the United States District Court for the Northern District of Georgia. The Martin case also seeks a declaratory judgment to reform certain settlements, as well as medical monitoring and injunctive relief. The Company intends to defend vigorously against these lawsuits.

The Company was also named as a defendant in fifteen lawsuits filed by individual or multi-party plaintiffs in the Georgia and Federal courts pertaining to the May 25, 2004 fire at its Conyers, Georgia warehouse. Eight of these lawsuits remain. The plaintiffs in these remaining lawsuits seek recovery for economic and non-economic damages, including punitive damages in five of the eight remaining lawsuits. One of the lawsuits, the Diana Smith case, was filed in the United States

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District Court for the Northern District of Georgia against the Company, as well as the City of Conyers and Rockdale County, and included allegations similar to those in the other lawsuits noted above, but adding claims for alleged civil rights violations, federal Occupational Safety and Health Administration violations, Georgia Racketeer Influenced and Corrupt Organizations Act violations, criminal negligence, reckless endangerment, false imprisonment, and kidnapping, among other claims. The federal law claims were dismissed with prejudice and the state law claims were dismissed without prejudice. The Court has also dismissed without prejudice the plaintiffs' claims against the City of Conyers and Rockdale County. The Diana Smith case was subsequently refiled and is pending in the Superior Court of Rockdale County, Georgia. The Company intends to defend vigorously against these lawsuits.

On or about January 8, 2007, the Company was named as a defendant in a lawsuit filed by an individual, George J. Collins, in the Superior Court of Gwinnett County, Georgia. The lawsuit includes allegations pertaining to the May 25, 2004 fire at its Conyers, Georgia warehouse, and seeks recovery for economic and non-economic damages, including punitive damages. The action has been transferred to the State Court for Gwinnett County, Georgia. The Company intends to vigorously defend against this lawsuit.

Within one day of the fire, the Company established a claims office to resolve all legitimate economic and personal injury claims in the Rockdale County, Georgia area. The Company still maintains a claims office in Conyers, and continues to negotiate the settlement of claims whether submitted through the claims office or otherwise.

At the time of the fire, the Company maintained, and continues to maintain, property and general liability insurance. The Company believes that its general liability policies will adequately cover any third party claims and legal and processing fees in excess of the amounts that were recorded through September 30, 2008.

Albemarle Corporation - In May 2002, Albemarle Corporation filed two complaints against the Company in the United States District Court for the Middle District of Louisiana, one alleging that the Company infringed three process patents held by Albemarle Corporation relating to bromine vacuum tower technology, and the other alleging that the Company infringed or contributed to or induced the infringement of a patent relating to the use of decabromodiphenyl ethane as a flame retardant in thermoplastics. On a motion by the Company and over Albemarle's objection, the cases were consolidated. In addition, the Company filed a counterclaim with the District Court in the flame retardant cases, alleging, among other things, that the Albemarle patent is invalid or was obtained as a result of inequitable conduct from the United States Patent and Trademark Office. In March 2004, Albemarle amended its consolidated complaint to add additional counts of patent infringement and trade secret violations. The Company believes that the allegations of Albemarle in the consolidated complaint, as well as the allegations in the additional counts, are without basis, factually or legally, and intends to defend the case vigorously. On October 25, 2005, Albemarle filed a complaint against Chemtura Corporation and Great Lakes Chemical Corporation in the United States District Court for the Middle District of Louisiana alleging that Chemtura and Great Lakes infringed a recently granted U.S. patent held by Albemarle relating to a decabromodiphenyl ethane wet cake intermediate product. The Company believes that the allegations of the complaint are without basis, factually or legally, and intends to defend the case vigorously.

Each quarter the Company evaluates and reviews pending claims and litigation to determine appropriate reserve amounts. As of September 30, 2008 and December 31, 2007, the Company's accruals for probable loss in the aforementioned legal proceeding cases were immaterial. In addition, the related receivable to reflect probable insurance recoveries is also immaterial.

The Company intends to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. The resolution of the legal proceedings now pending or hereafter asserted against the Company or any of its subsidiaries could require the Company to pay costs or damages in excess of its present estimates, and as a result could, either individually or in the aggregate, have a

material adverse effect on the Company's financial condition, results of operations and cash flows.

In addition to the matters referred to above, the Company is subject to routine litigation in connection with the ordinary course of its business. These routine matters have not had a material adverse effect on the Company, its business or financial condition in the past, and the Company does not expect this litigation, individually or in the aggregate, to have a material adverse effect on its business or its financial condition in the future, but it can give no assurance that such will be the case.

Guarantees

The Company has standby letters of credit and guarantees with various financial institutions. At September 30, 2008 and December 31, 2007, the Company had \$96 million and \$101 million, respectively, of outstanding letters of credit and guarantees primarily related to its liabilities for environmental remediation, insurance obligations and European value added tax (VAT) obligations.

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The Company has applied the disclosure provisions of FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, (FIN 45), to its agreements that contain guarantee or indemnification clauses. The Company is a party to several agreements pursuant to which it may be obligated to indemnify a third party with respect to certain loan obligations of joint venture companies in which the Company has an equity interest. These obligations arose to provide initial financing for a joint venture start-up, fund an acquisition and provide project capital. Such obligations range in duration with terms from origination to maturity between five and nine years. In the event that any of the joint venture companies were to default on these loan obligations, the Company would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At September 30, 2008, the maximum potential future principal and interest payments due under these guarantees were \$16 million and \$1 million, respectively. In accordance with FIN 45, the Company has accrued \$2 million in reserves, which represents the probability weighted fair value of these guarantees at September 30, 2008. The reserve has been included in long-term liabilities on the consolidated balance sheet at September 30, 2008 with an offset to the investment included in other assets.

The Company also has a customer guarantee, in which the Company has contingently guaranteed certain debt obligations of one of its customers. At September 30, 2008 and December 31, 2007, the amount of this guarantee was \$2 million and \$3 million, respectively. Based on past experience and on the underlying circumstances, the Company does not expect to have to perform under this guarantee.

In the ordinary course of business, the Company enters into contractual arrangements under which the Company may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of the Company 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 the Company's past performance. For any losses that the Company believes are probable and which are estimable, the Company has accrued for such amounts in its consolidated balance sheets.

18) BUSINESS SEGMENT DATA

The Company evaluates a segment's performance based on several factors, of which the primary factor is operating profit (loss). In computing operating profit (loss) by segment, the following items have not been deducted: (1) general corporate expense; (2) amortization; (3) facility closures, severance and related costs; (4) antitrust costs; (5) certain accelerated depreciation; (6) loss on sale of business; and (7) impairment of long-lived assets. Pursuant to FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*, these items have been excluded from the Company's presentation of segment operating profit (loss) because they are not reported to the chief operating decision maker for purposes of allocating resources among reporting segments or assessing segment performance.

In the first quarter of 2008, the Company revised the allocation methodologies of its functional and other expenses between its business segments. The new methodology supports the recent Company organizational changes to streamline decision making by providing each business responsibility for its own production facilities, operational forecasting, sourcing decisions, process excellence initiatives and technical development by better aligning the functional and other expenses with the activities of the business. These changes will drive a better understanding of the costs attributable to each business segment and thereby segment profitability. The reallocation of expense between segments and the reduction in general corporate expense has no impact on the consolidated results. The revised allocation methodology has been applied to the business segment results for all periods presented.

General corporate expense includes costs and expenses that are of a general corporate nature or managed on a corporate basis, including amortization expense. These costs are primarily for corporate administration services, costs related to corporate headquarters and management compensation plan expenses for executives and corporate managers. Facility closures, severance and related costs are primarily for severance

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costs related to the Company's 2007 cost savings initiatives. The antitrust costs are primarily for settlement offers and legal costs associated with antitrust investigations and related civil lawsuits. Accelerated depreciation relates to certain assets affected by the Company's restructuring programs, divestitures and legacy ERP systems. The loss on sale of business in 2008 relates primarily to the sale of the oleochemicals business. The loss on sale of business in 2007 primarily relates to the sale of the Celogen® product line. Impairment of long-lived assets in 2008 is related primarily to reducing the carrying value of goodwill in the Consumer Products segment. The impairment of long-lived assets in 2007 related primarily to facilities affected by restructuring programs and the sale of the Marshall, Texas facility.

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A summary of business data for the Company's reportable segments for the quarter and nine months ended September 30, 2008 and 2007 are as follows:

Information by Business Segment

(In millions)	Quarter ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net Sales				
Polymer Additives	\$ 414	\$ 447	\$ 1,294	\$ 1,366
Performance Specialties	271	237	787	680
Consumer Products	121	139	422	456
Crop Protection	103	83	306	261
Other	15	23	47	93
Total net sales	\$ 924	\$ 929	\$ 2,856	\$ 2,856

(In millions)	Quarter ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Operating Profit (Loss)				
Polymer Additives	\$ 14	\$ 7	\$ 49	\$ 64
Performance Specialties	31	28	88	82
Consumer Products	16	20	49	56
Crop Protection	18	11	63	40
Other	1	1	2	(3)
	80	67	251	239
General corporate expense, including amortization	(25)	(24)	(72)	(71)
Accelerated depreciation of property, plant and equipment	(8)	(1)	(24)	(37)
Facility closures, severance and related costs		(9)		(34)
Antitrust costs	(1)	(2)	(12)	(32)
(Loss) gain on sale of business	(1)	1	(25)	(14)
Impairment of long-lived assets	(1)	(9)	(321)	(16)
Total operating profit (loss)	\$ 44	\$ 23	\$ (203)	\$ 35

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The Company's obligations under its 7% Notes due 2009, 6.875% Notes due 2016 and 6.875% Debentures due 2026 (collectively the Notes) are jointly and severally, fully and unconditionally guaranteed by certain wholly-owned domestic subsidiaries of the Company that guarantee the Company's \$750 million senior credit agreement. The Company's subsidiaries that do not guarantee the Notes are referred to as the

Non-Guarantor Subsidiaries. The Guarantor Condensed Consolidating Financial Data presented below presents the statements of operations, balance sheets and statements of cash flow data: (i) for Chemtura Corporation (the Parent Company), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis (which is derived from Chemtura Corporation's historical reported financial information); (ii) for the Parent Company, alone (accounting for its 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) for the Guarantor Subsidiaries alone; and (iv) for the Non-Guarantor Subsidiaries alone.

Condensed Consolidating Statement of Operations

Quarter ended September 30, 2008

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	\$ 924	\$ (352)	\$ 309	\$ 283	\$ 684
Cost of goods sold	731	(352)	283	213	587
Selling, general and administrative	80		31	12	37
Depreciation and amortization	54		21	16	17
Research and development	12		3	3	6
Facility closures, severance and related costs			(1)		1
Antitrust costs	1		1		
Loss (gain) on sale of business	1		2		(1)
Impairment of long-lived assets	1				1
Operating profit (loss)	44		(31)	39	36
Interest expense	(20)		(12)	(3)	(5)
Other income (expense), net	4		(1)	(5)	10
Equity in net earnings of subsidiaries from continuing operations		(59)	51	8	
Earnings (loss) from continuing operations before income taxes	28	(59)	7	39	41
Income tax (expense) benefit	(17)		4	(1)	(20)
Net earnings	\$ 11	\$ (59)	\$ 11	\$ 38	\$ 21

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Condensed Consolidating Statement of Operations

Nine months ended September 30, 2008

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	\$ 2,856	\$ (1,089)	\$ 966	\$ 912	\$ 2,067
Cost of goods sold	2,231	(1,089)	819	699	1,802
Selling, general and administrative	253		107	51	95
Depreciation and amortization	180		76	51	53
Research and development	40		12	9	19
Facility closures, severance and related costs			(4)		4
Antitrust costs	12		12		
Loss (gain) on sale of business	25		26		(1)
Impairment of long-lived assets	321			199	122
Equity income	(3)				(3)
Operating loss	(203)		(82)	(97)	(24)
Interest expense	(59)		(57)	(6)	4
Other income (expense), net	16		(2)	(13)	31
Equity in net loss of subsidiaries from continuing operations		224	(132)	(92)	
(Loss) earnings from continuing operations before income taxes	(246)	224	(273)	(208)	11
Income tax (expense) benefit	(37)		(10)	24	(51)
Net loss	\$ (283)	\$ 224	\$ (283)	\$ (184)	\$ (40)

Condensed Consolidating Balance Sheet

as of September 30, 2008

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
ASSETS					
Current assets	\$ 1,326	\$	\$ 270	\$ 245	\$ 811
Intercompany receivables		(14,813)	9,972	1,076	3,765
Investment in subsidiaries		(12,479)	3,706	1,135	7,638
Property, plant and equipment	923		196	351	376
Goodwill	943		135	282	526
Other assets	687		105	283	299

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Total assets	\$	3,879	\$	(27,292)	\$	14,384	\$	3,372	\$	13,415
LIABILITIES AND STOCKHOLDERS EQUITY										
Current liabilities	\$	1,007	\$		\$	269	\$	498	\$	240
Intercompany payables				(14,836)		11,871		92		2,873
Long-term debt		717				705		9		3
Other long-term liabilities		673				140		232		301
Total liabilities		2,397		(14,836)		12,985		831		3,417
Stockholders equity		1,482		(12,456)		1,399		2,541		9,998
Total liabilities and stockholders equity	\$	3,879	\$	(27,292)	\$	14,384	\$	3,372	\$	13,415

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Condensed Consolidating Statement of Cash Flows
 Nine months ended September 30, 2008
(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	\$ (283)	\$ 224	\$ (283)	\$ (184)	\$ (40)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Loss on sale of business	25		26		(1)
Impairment of long-lived assets	321			199	122
Depreciation and amortization	180		76	51	53
Stock-based compensation expense	6		6		
Equity income	(3)				(3)
Changes in assets and liabilities, net	(152)	(224)	150	(24)	(54)
Net cash provided by (used in) operating activities	94		(25)	42	77
CASH FLOWS FROM INVESTING ACTIVITIES					
Net proceeds from divestments	68		38	27	3
Payments for acquisitions, net of cash acquired	(37)		(11)		(26)
Capital expenditures	(94)		(31)	(40)	(23)
Net cash used in investing activities	(63)		(4)	(13)	(46)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from credit facility, net	70		70		
Proceeds on long term borrowings	1				1
Payments on long term borrowings	(31)		(1)	(30)	
Dividends paid	(36)		(36)		
Proceeds from exercise of stock options	1		1		
Net cash provided by (used in) financing activities	5		34	(30)	1
CASH AND CASH EQUIVALENTS					
Effect of exchange rates on cash and cash equivalents	(6)				(6)
Change in cash and cash equivalents	30		5	(1)	26
Cash and cash equivalents at beginning of period	77		6	2	69
Cash and cash equivalents at end of period	\$ 107	\$	\$ 11	\$ 1	\$ 95

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Condensed Consolidating Statement of Operations
Quarter ended September 30, 2007
(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Net sales	\$ 929	\$ (349)	\$ 322	\$ 314	\$ 642
Cost of goods sold	727	(349)	279	234	563
Selling, general and administrative	87		33	19	35
Depreciation and amortization	59		22	(22)	59
Research and development	15		6	4	5
Facility closures, severance and related costs	9		(10)	1	18
Antitrust costs	2		2		
Loss on sale of business	(1)		(1)		
Impairment of long-lived assets	9		1	(4)	12
Equity income	(1)			(1)	
Operating profit (loss)	23		(10)	83	(50)
Interest expense	(21)		(19)	(4)	2
Other (expense) income, net	(7)		15	(4)	(18)
Equity in net earnings (loss) of subsidiaries		54	16	(70)	
(Loss) earnings from continuing operations before income taxes	(5)	54	2	5	(66)
Income tax benefit (expense)	6		2	(5)	9
Earnings (Loss) from continuing operations	1	54	4		(57)
Earnings (Loss) from discontinued operations	3		1	3	(1)
(Loss) Gain on sale of discontinued operations	(2)		(3)		1
Net earnings (loss)	\$ 2	\$ 54	\$ 2	\$ 3	\$ (57)

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Condensed Consolidating Statement of Operations
 Nine months ended September 30, 2007
(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Net sales	\$ 2,856	\$ (1,118)	\$ 1,061	\$ 899	\$ 2,014
Cost of goods sold	2,197	(1,118)	864	677	1,774
Selling, general and administrative	292		103	68	121
Depreciation and amortization	192		56	41	95
Research and development	46		17	10	19
Facility closures, severance and related costs	34			2	32
Antitrust costs	32		32		
Loss on sale of business	14		14		
Impairment of long-lived assets	16		4		12
Equity income	(2)				(2)
Operating profit (loss)	35		(29)	101	(37)
Interest expense	(67)		(63)	(14)	10
Other (expense) income, net	(11)		(8)	(10)	7
Equity in net earnings (loss) of subsidiaries		(58)	78	(20)	
(Loss) earnings from continuing operations before income taxes	(43)	(58)	(22)	57	(20)
Income tax benefit (expense)	1			(5)	6
(Loss) earnings from continuing operations	(42)	(58)	(22)	52	(14)
Earnings from discontinued operations	14		3	6	5
Gain on sale of discontinued operations	25		16		9
Net (loss) earnings	\$ (3)	\$ (58)	\$ (3)	\$ 58	\$

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Condensed Consolidating Balance Sheet
as of December 31, 2007
(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
ASSETS					
Current assets	\$ 1,381	\$	\$ 302	\$ 261	\$ 818
Intercompany receivables		(13,886)	9,012	902	3,972
Investment in subsidiaries		(13,797)	4,085	1,402	8,310
Property, plant and equipment	1,032		247	361	424
Goodwill	1,309		148	512	649
Other assets	694		100	314	280
Total assets	\$ 4,416	\$ (27,683)	\$ 13,894	\$ 3,752	\$ 14,453
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities	\$ 681	\$	\$ 197	\$ 216	\$ 268
Intercompany payables		(13,967)	10,737	46	3,184
Long-term debt	1,058		635	420	3
Other long-term liabilities	824		249	260	315
Total liabilities	2,563	(13,967)	11,818	942	3,770
Stockholders equity	1,853	(13,716)	2,076	2,810	10,683
Total liabilities and stockholders equity	\$ 4,416	\$ (27,683)	\$ 13,894	\$ 3,752	\$ 14,453

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Condensed Consolidating Statement of Cash Flows
 Nine months ended September 30, 2007
(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) earnings	\$ (3)	\$ (58)	\$ (3)	\$ 58	
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:					
Loss on sale of asset and business	14		14		
Gain on sale of discontinued operations	(25)		(16)		(9)
Impairment of long-lived assets	16		4		12
Depreciation and amortization	197		60	43	94
Stock-based compensation expense	8		8		
Equity income	(2)				(2)
Changes in assets and liabilities, net	(34)	58	(50)	(71)	29
Net cash provided by operating activities	171		17	30	124
CASH FLOWS FROM INVESTING ACTIVITIES					
Net proceeds from divestments	157		108		49
Payments for acquisitions, net of cash acquired	(164)				(164)
Capital expenditures	(73)		(21)	(30)	(22)
Net cash (used in) provided by investing activities	(80)		87	(30)	(137)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on short-term borrowings	(46)		(40)	(1)	(5)
Dividends paid	(36)		(36)		
Proceeds from exercise of stock options	7		7		
Other	(1)		(1)		
Net cash used in financing activities	(76)		(70)	(1)	(5)
CASH AND CASH EQUIVALENTS					
Effect of exchange rates on cash and cash equivalents	4				4
Change in cash and cash equivalents	19		34	(1)	(14)
Cash and cash equivalents at beginning of period	95		2	2	91
Cash and cash equivalents at end of period	\$ 114	\$	\$ 36	\$ 1	\$ 77

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

DESCRIPTION OF BUSINESS

The Company is among the largest publicly traded specialty chemical companies in the United States and is dedicated to delivering innovative, market-focused specialty chemical solutions and consumer products. The Company is headquartered in Middlebury, Connecticut, and operates in a wide variety of end-use markets, including automotive, transportation, construction, packaging, agriculture, lubricants, plastics for durable and non-durable goods, industrial rubber and home pool and spa chemicals. Most of our chemical products are sold to industrial manufacturing customers for use as additives, ingredients, or intermediates that add value to their end products. Our consumer products are sold to dealers, distributors and major retailers. We are a market leader in many of our key product lines. We manufacture and sell more than 3,500 products and formulations in more than 100 countries.

The primary economic factors that influence the Company's operations and sales are industrial production, residential and commercial construction, auto production and resin production. In addition, the Company's Crop Protection segment is influenced by worldwide weather, crop disease and pest infestation conditions. The Company's Consumer Products segment is also influenced by general economic conditions impacting consumer spending and weather conditions.

Other major factors affecting the Company's financial performance include industry capacity, customer demand, raw material and energy costs and selling prices. Selling prices are influenced by global demand and supply factors. The Company's strategy is to pursue selling prices that reflect the value of our products and to pass on higher costs for raw material and energy so as to preserve our profit margins. Our target is to achieve a minimum of 15% average operating profit margin across our business portfolio.

SIGNIFICANT TRANSACTIONS AND EVENTS

The Company continues to assess its business portfolio. During the first nine months of 2008, the following significant transactions occurred:

- On January 31, 2008, the Company completed the sale of its fluorine chemical business located at the Company's El Dorado, Arkansas facility for an immaterial net loss. The assets sold consisted of patents and intangible assets of \$12 million, inventory of \$8 million, fixed assets of \$8 million and other current liabilities of \$1 million. The fluorine chemical business had revenues of approximately \$49 million in 2007. The fluorine chemical business is reported as a discontinued operation in the accompanying consolidated financial statements.
- On February 29, 2008, the Company acquired the remaining stock of Baxenden Chemicals Limited Plc. The Company previously held 53.5% of Baxenden's stock.
- On February 29, 2008, the Company completed the sale of its oleochemicals business and recorded a loss on the sale of \$26 million. The assets sold included inventory of \$26 million, accounts receivable of \$24 million, goodwill of \$12 million, net fixed assets of \$7 million, and intangible assets of \$1 million. The oleochemicals business had revenues of approximately \$175 million in 2007. Proceeds from the transaction were used to reduce debt.

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- On March 12, 2008, the Company purchased the remaining shares of GLCC Laurel, LLC.
- On April 30, 2008, the Company entered into an agreement with Baerlocher for the manufacture of certain heat stabilizers used in PVC processing applications.
- During the quarter ended June 30, 2008, the Company incurred an estimated goodwill impairment charge of \$320 million in the Consumer Products segment. The Company finalized its review of the estimated charge in the third quarter of 2008 and no change to the estimated charge was required.
- On October 31, 2008, the Company announced that it would suspend payment of dividends to conserve cash and expand liquidity in a period of economic uncertainty.

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QUARTER RESULTS

Consolidated net sales of \$924 million for the third quarter ended September 30, 2008 were \$5 million lower than the third quarter of 2007. The decrease reflects a \$63 million reduction due to the divestitures of the oleochemicals and organic peroxides business, selling down inventory of the rubber chemicals not divested as part of the sale of the Celogen® product lines, and the divestiture of the Diamond and Terraclor product lines and a \$16 million reduction due to lower volume and mix. The Company benefited from the increase in selling prices of \$59 million and \$15 million of positive foreign exchange translation. The increase in selling prices occurred within the Polymer Additives, Performance Specialties and Consumer Products segments and was in response to an increase in the cost of raw materials. These increases in selling price that the Company has sought to apply during the year have not yet offset the full impact of the increases in raw material costs during 2008.

Gross profit for the third quarter was \$193 million, a decrease of \$9 million compared to the same quarter last year. Gross profit as a percentage of sales decreased to 21% in the quarter from 22% in the prior year. The decrease in gross profit was primarily driven by \$67 million in higher raw material and energy costs, a \$5 million reduction due to divestitures, and \$2 million from increased manufacturing costs. These unfavorable factors were partially offset by \$59 million from higher selling prices, \$4 million from favorable foreign exchange translation and reductions in distribution costs of \$2 million.

Selling, general and administrative expenses (SG&A) were \$80 million, a \$7 million reduction from the same quarter in 2007. The decrease in SG&A spending reflects the favorable benefit of the Company's restructuring program, offset by increased pension charges of \$3 million related, in part, to pension settlements and curtailments.

Depreciation and amortization expense of \$54 million was \$5 million lower than the third quarter of 2007, partially due to accelerated depreciation taken in 2007 related to the Company's closure of certain antioxidant manufacturing facilities in Europe, and in 2008, the upgrade of the Company's SAP system.

Research and development expense of \$12 million was \$3 million lower than the third quarter of 2007 as a result of cost reduction initiatives.

Facility closure, severance and related costs during the third quarter of 2008 were immaterial compared with \$9 million for the third quarter of 2007, which was primarily the result of the Company's restructuring program announced in the second quarter of 2007.

The Company incurred antitrust costs of \$1 million compared with \$2 million for the third quarter of 2007. Antitrust costs primarily represented legal costs associated with the antitrust investigations and civil lawsuits.

The impairment of long-lived assets was \$1 million in the third quarter and \$9 million for the same quarter in 2007. The charges were primarily related to the Company's Catenoy, France facility in the third quarter of 2008 and the Company's Ravenna, Italy facility in the third quarter of 2007.

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Interest expense of \$20 million decreased by \$1 million compared with the same period in 2007. This decrease was primarily due to the early retirement of a portion of the 7% notes due 2009.

Other income, net was \$4 million in the third quarter of 2008 compared with expense of \$7 million for the same quarter in 2007. The improvement from 2007 was primarily due to an increase in foreign exchange gains of \$5 million, lower minority interest expense of \$2 million, an increase in interest income of \$2 million, lower accounts receivable securitization costs of \$1 million, and other miscellaneous cost decreases of \$1 million.

The Company's income tax expense from continuing operations increased \$23 million in the third quarter of 2008 as compared with the same quarter in 2007. The tax expense in the third quarter was \$17 million, compared with a tax benefit of \$6 million in the third quarter of 2007. The increase in tax expense is primarily driven by the mix of earnings amongst domestic versus foreign subsidiaries. The Company provided a full valuation allowance against the tax benefit associated with the Company's U.S. net operating loss.

Earnings from discontinued operations of \$3 million (net of \$2 million of tax) for the third quarter of 2007 reflect the operations of the fluorine and optical monomers businesses that were subsequently sold.

Loss on sale of discontinued operations of \$2 million (net of \$1 million of tax) for the third quarter of 2007 related to the sale of the EPDM business.

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Net earnings for the third quarter of 2008 were \$11 million as compared with earnings of \$2 million for the third quarter of 2007.

Segment Results

Polymer Additives

Net sales in the Polymer Additives segment of \$414 million for the third quarter of 2008 decreased \$33 million over the same quarter in 2007. Operating profit of \$14 million increased \$7 million compared with \$7 million for the third quarter of 2007.

The decrease in net sales reflects a combined \$45 million reduction related to the divestiture of the oleochemicals business at the Memphis, TN facility in February 2008 and the organic peroxides product line at the Marshall, TX facility in July 2007. Reductions in volume, related primarily to the plastic antioxidants product line, had an additional negative impact of \$21 million, but this was offset by a \$25 million increase due to improvements in price and \$8 million of favorable foreign currency translation.

Operating profit for the third quarter of 2008 was favorably impacted by a \$25 million increase in selling prices, an \$8 million reduction in accelerated depreciation of certain assets, a \$2 million benefit from favorable currency translation and product mix improvements of \$1 million. There were cost reductions of \$5 million in SG&A, \$4 million in distribution, \$1 million in manufacturing, and \$4 million in other areas. These increases in operating profit were partially offset by \$37 million of energy and raw material cost increases, mainly related to tin, soybean oil and petrochemical by-products, a \$3 million reduction due to divestitures and \$3 million of additional expense due to closing the Taft, Louisiana facility for four days as a result of hurricanes that hit the Gulf coast in early September.

Performance Specialties

Net sales in the Performance Specialties segment of \$271 million increased \$34 million over the same quarter in 2007. Operating profit of \$31 million for the third quarter of 2008 increased \$3 million compared with \$28 million for the third quarter of 2007.

Net sales increased due to higher selling price of \$28 million, organic sales volume growth of \$3 million and \$3 million of favorable foreign currency translation. Increases in operating profit were due to \$28 million in higher selling price, \$1 million in organic volume growth and \$1 million of favorable foreign currency translation. These were partially offset by increases in raw material prices of \$24 million and a \$3 million increase in distribution costs.

Consumer Products

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Net sales for the Consumer Product segment decreased \$18 million to \$121 million in the third quarter compared with the same quarter in 2007. Operating profit decreased \$4 million in the third quarter to \$16 million, compared with \$20 million in 2007.

The \$18 million decrease in net sales was driven by a volume decline of \$27 million due to the combination of lower consumer demand towards the end of the U.S. pool season and excess dealer inventory within the European market. This was partially offset by price increases of \$7 million and favorable foreign currency translation of \$2 million. Operating profit decreased by \$4 million reflecting the volume and mix impact of \$14 million, \$2 million of unfavorable raw material costs and \$3 million of increased manufacturing costs. These were partially offset by \$7 million of price increases, a \$5 million reduction in SG&A, a \$2 million reduction in distribution costs and \$1 million in other cost reductions.

Crop Protection

Net sales for the Crop Protection segment were \$103 million for the third quarter, which represents an increase of \$20 million from the third quarter of 2007. Operating profit increased \$7 million to \$18 million for the third quarter compared with the same quarter of 2007.

The increase in net sales reflects increases of \$26 million due to volume and product mix and \$3 million of foreign currency translations, which were offset by \$2 million in lower selling prices and \$7 million from the divestiture of the Diamond and Terraclor product lines. Operating profit increased by \$7 million primarily due to \$11 million in volume increases and product mix and \$3 million of favorable manufacturing variances, which were partly offset by \$2 million from product divestitures, \$2 million in reduced pricing, \$2 million in higher raw material, energy and distribution costs, and \$1 million due to a higher provision for doubtful accounts.

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Other Businesses

Net sales for the Company's non-core businesses, reported in the Other segment, were \$15 million for the third quarter of 2008, representing a decrease of \$8 million compared with net sales of \$23 million for the third quarter of 2007. Operating profit was unchanged versus prior year at \$1 million.

The decline in net sales was the result of selling down the remaining inventory of the rubber chemicals not divested as part of the Celogen® foaming agent product line in June of 2007, with an impact of \$12 million, partially offset by a \$3 million increase from volume and mix of the remaining product lines and \$1 million from price increases. Operating income was unchanged for the third quarter with price increases of \$1 million and other gross profit improvements of \$1 million, offset by a \$2 million increase in raw material and energy costs over prior year.

General Corporate

General corporate expenses include costs and expenses that are of a general nature or managed on a corporate basis. These costs primarily represent corporate administration services, costs related to corporate headquarters, management compensation plan expenses related to executives and corporate managers and worldwide amortization expenses. Functional costs are allocated between the business segments and general corporate expense.

Corporate expense was \$25 million for the third quarter, which included \$10 million of amortization expense related to intangibles, compared with \$24 million for the third quarter of 2007, which included \$11 million of amortization expense.

Corporate expense for the third quarter included \$3 million in increased pension charges related, in part, to pension settlement and curtailments, offset by a \$2 million benefit from the recovery of insurance proceeds related to a facility fire in 2004 and the decrease in amortization expense of \$1 million.

YEAR-TO-DATE RESULTS

Consolidated net sales of \$2,856 million for the nine month period ended September 30, 2008 were consistent with the prior year. Net sales benefited from \$105 million in increased selling prices, \$70 million in favorable foreign currency translation, and \$20 million as a result of the second quarter 2007 acquisition of Kaufman offset by a \$158 million reduction from business divestitures (oleochemicals business, organic peroxides business and the Celogen®, Diamond, and Terraclor product lines) and a \$37 million reduction due to lower volume and product mix.

Gross profit decreased by \$34 million to \$625 million for the nine month period ended September 30, 2008 as compared with the same nine month period in 2007. Gross profit as a percentage of sales declined to 22% from 23% for the first nine months of 2008 and 2007, respectively.

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The decrease in gross profit principally reflects a \$141 million impact from increases in raw material and energy costs, \$4 million in unfavorable manufacturing variances, \$4 million in higher distribution costs and \$1 million in lost operating profit from divestitures. These unfavorable costs were partially offset by \$105 million in higher selling prices and \$11 million from favorable foreign currency translation.

SG&A costs of \$253 million for the nine month period ended September 30, 2008 were \$39 million lower than in the same period of 2007. This decrease is primarily due to the impact of the Company's restructuring program that was announced in June 2007 and other cost reduction initiatives.

Depreciation and amortization expense for the nine month period ended September 30, 2008 of \$180 million was \$12 million lower than the same period ended September 30, 2007. This decrease is primarily due to a net reduction in accelerated depreciation of property, plant and equipment of \$8 million. In 2007, this accelerated depreciation was related to the closure of certain antioxidant manufacturing facilities in Europe, and in 2008 it was related to the oleochemicals business which was sold in the first quarter of 2008 and the Company's SAP upgrade project.

Research and development expense of \$40 million for the nine month period ended September 30, 2008 was \$6 million lower than the same period ended September 30, 2007 as a result of cost reduction initiatives.

Facility closure, severance and related costs during the nine months ended September 30, 2008 were immaterial compared with \$34 million for the same period of 2007, which was primarily the result of the Company's restructuring programs announced in June 2007.

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The Company incurred antitrust costs of \$12 million in the nine months ended September 30, 2008 compared with \$32 million during the same period of 2007. Antitrust costs for 2008 were primarily related to settlement offers made to certain rubber chemical claimants and legal costs associated with antitrust investigations and civil lawsuits. Antitrust costs for the same period in 2007 primarily represented settlement offers made to certain urethane and rubber chemicals claimants, indirect case claimants, securities class action plaintiffs and legal costs associated with the antitrust investigations and civil lawsuits.

Loss on sale of business of \$25 million in the nine month period ended September 30, 2008 was primarily related to the sale of the oleochemicals business. The loss on sale of business of \$14 million in 2007 was primarily related to the sale of the Celogen® product line.

The impairment of long-lived assets of \$321 million in the nine month period ended September 30, 2008, primarily related to reducing the carrying value of goodwill in the Company's Consumer Products segment. The impairment of long-lived assets was \$16 million in 2007. Included in this charge was \$9 million related to the Company's Ravenna, Italy facility, \$4 million related to the sale of the Company's Marshall, Texas facility, and \$3 million related to the write-off of construction in progress at certain facilities affected by the restructuring programs announced in the second quarter.

Interest expense of \$59 million for the nine month period ended September 30, 2008 reflects an \$8 million decrease from the same period in 2007. The decrease was due to lower average borrowings under the Company's credit facilities.

Other income, net was \$16 million in the nine month period ended September 30, 2008 compared with \$11 million of expense in the same period of 2007. The \$27 million increase in income reflects an increase in favorable foreign currency gains of \$16 million, lower minority interest expense of \$3 million, lower accounts receivable securitization costs of \$3 million, an increase in interest income of \$2 million and other miscellaneous cost decreases of \$3 million.

The Company's income tax expense from continuing operations increased \$38 million in the nine months ended September 30, 2008 as compared with the same period in 2007. The tax expense in the nine months ended September 30, 2008 was \$37 million compared with a tax benefit of \$1 million in 2007. The increase in tax expense is primarily driven by the mix of earnings amongst domestic versus foreign subsidiaries. The Company provided a full valuation allowance against the tax benefit associated with the Company's U.S. net operating loss.

Earnings from discontinued operations of \$14 million (net of \$7 million of tax) for the nine month period ended September 30, 2007 reflect the operations of the EPDM, fluorine and optical monomers businesses that were subsequently sold.

Gain on sale of discontinued operations of \$25 million (net of \$13 million of tax) for the nine month period ended September 30, 2007 includes \$23 million related to the sale of the EPDM business and \$2 million related to the final contingent earn-out proceeds related to the sale of the OrganoSilicones business.

The net loss for the nine month period ended September 30, 2008 was \$283 million compared with a loss of \$3 million during the same period in 2007.

Segment Results

Polymer Additives

Net sales for the Polymer Additives segment decreased by \$72 million to \$1,294 million for the nine months ended September 30, 2008. Operating profit of \$49 million for the nine months ended September 30, 2008 decreased \$15 million compared with \$64 million for the nine months ended September 30, 2007.

Decreases in net sales reflect a \$99 million reduction resulting from the divestiture of the oleochemicals business and the organic peroxides product line and a decrease in volume of \$58 million related primarily to the plastic antioxidants product line. These reductions were partially offset by a \$52 million increase due to improvements in pricing and \$33 million of favorable foreign currency translation.

Operating profit was negatively impacted by \$83 million of energy and raw material cost increases, \$6 million of increased manufacturing costs, \$2 million from divestitures and \$2 million of other costs increases. These decreases in operating profit were partially offset by \$52 million of increased selling prices, a \$14 million reduction in accelerated depreciation of certain assets, \$5 million from lower distribution costs, \$4 million related to mix of higher margin products and \$3 million of favorable currency translation.

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Performance Specialties

Net sales in the Performance Specialties segment of \$787 million for the nine months ended September 30, 2008 increased by \$107 million compared with the same period in 2007. Operating profit increased \$6 million to \$88 million compared with \$82 million in 2007.

The net sales increase of \$107 million was due to \$44 million in higher selling prices, \$30 million from volume growth, \$20 million from the first quarter 2007 acquisition of Kaufman and \$13 million from the favorable effect of foreign currency translation.

Operating profit benefited from \$44 million in higher selling prices, a \$6 million decrease in SG&A costs, \$5 million of volume growth, a \$4 million increase due to the Kaufman acquisition and \$2 million in other cost reductions. However, these favorable factors were offset by \$44 million in rising raw material costs, \$9 million in higher distribution costs and \$2 million of increased manufacturing costs.

Consumer Products

The Consumer Products segment reported net sales of \$422 million for the nine months ended September 30, 2008 compared with \$456 million for the same period of 2007. Reported operating profit of \$49 million for the nine months ended September 30, 2008 reflected a decrease of \$7 million from the \$56 million reported for the same period in 2007.

The net sales decrease of \$34 million was driven by a \$53 million decrease in sales volume, partially offset by improvements in selling prices of \$9 million and a \$10 million benefit related to favorable foreign currency translation. The loss of volume during the nine months ended September 30, 2008 is attributable to lower volume in the distributor, BioGuard and international channels, partially offset by higher sales in the mass market channel.

The reduction in operating income was primarily driven by \$26 million in lower volume and \$8 million of increased raw materials costs. These decreases were partly offset by a \$9 million increase in selling price, a \$6 million reduction in cooperative marketing costs, an additional \$5 million reduction in other SG&A costs, a \$3 million reduction in distribution costs, \$1 million in favorable foreign currency translation and \$3 million in other cost decreases.

Crop Protection

Net sales for the Crop Protection segment were \$306 million for the nine months ended September 30, 2008, an increase of \$45 million from 2007. Operating profit of \$63 million increased by \$23 million over the same period in 2007.

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The increase in net sales reflects an increase of \$41 million from organic sales volume growth primarily due to increased demand for products across Europe and a \$14 million benefit from foreign currency translation, partially offset by \$3 million in reduced selling prices and \$7 million from product divestitures. The increase in operating profit was primarily driven by \$16 million in higher volume and favorable product mix, \$4 million in improved manufacturing costs, a \$3 million reduction in provision for doubtful accounts related to certain customers in Brazil, \$2 million due to favorable foreign currency translation and a net reduction of \$1 million from cost savings programs. This was partly offset by a reduction of \$3 million from higher distribution costs.

Other Businesses

Net sales for the Company's non-core businesses, reported in the Other segment, were \$47 million for the nine months ended September 30, 2008 compared with \$93 million for the same period in 2007. Operating profit of these businesses was \$2 million for the nine months of 2008 compared with an operating loss of \$3 million in the nine months of 2007.

The \$46 million decline in net sales was primarily from the sale of the Celogen® foaming agent product line in June of 2007 followed by the inventory sell down of the remaining rubber chemicals with an impact of \$52 million, partially offset by a \$4 million increase from volume and mix from the remaining product lines and \$2 million from price increases. The operating income increase of \$5 million was due to the \$4 million increase from volume and mix, a reduction in accelerated asset retirement obligations of \$4 million and the \$2 million improvement in price, offset by raw material and energy increases of \$4 million and other costs of \$1 million.

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General Corporate

General corporate expenses include costs and expenses that are of a general nature or managed on a corporate basis. These costs primarily represent corporate administration services, costs related to corporate headquarters, management compensation plan expenses related to executives and corporate managers and all amortization expenses. Functional costs are allocated between the business segments and general corporate expense.

Corporate expense was \$72 million for the nine month period ended September 30, 2008, which included \$32 million of amortization expense related to intangibles, compared with \$71 million for the same period of 2007, which included \$29 million of amortization expense.

ANTITRUST INVESTIGATIONS COSTS AND RELATED MATTERS

For a discussion of antitrust investigations costs and related matters, see Note 16, Legal Matters in the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Significant Acquisitions and Divestitures

On January 31, 2008, the Company completed the sale of its fluorine chemical business located at the Company's El Dorado, Arkansas facility for an immaterial net loss. The assets sold consisted of patents and intangible assets of \$12 million, inventory of \$8 million, fixed assets of \$8 million and other current liabilities of \$1 million. The fluorine chemical business had revenues of approximately \$49 million in 2007. The fluorine chemical business is reported as a discontinued operation in the accompanying consolidated financial statements.

On February 29, 2008, the Company acquired the remaining stock of Baxenden Chemicals Limited Plc for approximately \$26 million. Assets acquired included plant, property and equipment of \$18 million; accounts receivable of \$7 million; intangible assets of \$7 million; goodwill of \$6 million; inventory of \$4 million and other assets of \$3 million offset by a pension liability of \$7 million; accounts payable of \$6 million; deferred taxes of \$5 million and accrued expenses of \$1 million.

On February 29, 2008, the Company completed the sale of its oleochemicals business and recorded a net loss of \$26 million. The assets sold included inventory of \$26 million; accounts receivable of \$24 million; goodwill of \$12 million; net fixed assets of \$7 million; and intangible assets of \$1 million. The oleochemicals business had revenues of approximately \$175 million in 2007. Proceeds from the transaction were used to reduce debt.

On March 12, 2008, the Company purchased the remaining outstanding shares of GLCC Laurel, LLC for a note payable of \$11 million. The note was paid in September 30, 2008. As GLCC Laurel, LLC was already being consolidated by the Company, the purchase price was allocated to reduce the minority interest liability by \$23 million. The value of the long-lived assets was reduced by \$14 million (as the fair value of the assets exceeded the purchase price). The residual purchase price was allocated to other assets.

Cash Flows from Operations

Net cash provided by operations was \$94 million for the nine months ended September 30, 2008 compared with \$171 million of net cash provided by operations in the same period of 2007. Changes in key working capital accounts are summarized below:

Favorable (unfavorable) (In millions)	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Accounts receivable	\$ (3)	\$ 1
Accounts receivable - securitization	75	24
Inventories	(96)	23
Accounts payable	(17)	(33)

Accounts receivable securitization programs increased by \$75 million for the nine months ended September 30, 2008 as compared with an increase of \$24 million for the nine months ended September 30, 2007. Inventory increased \$96 million in 2008. Approximately \$50 million of the increase was due to the impact of increases in raw material costs. Accounts payable decreased by \$17 million in 2008 primarily due to timing of vendor payments.

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In addition, during the nine months ended September 30, 2008, the Company's pension and post-retirement healthcare liabilities decreased by \$28 million as compared with a decrease of \$10 million in 2007. The decrease in 2008 was primarily due to payments of \$25 million partially offset by net periodic benefit cost.

Net cash provided by operations for the nine months ended September 30, 2008 was also affected by various charges and payments against preexisting reserves. A summary of these items and the net impact on cash flows provided by (used in) operations is as follows:

(In millions)	Net Change per Consolidated Cash Flows Statement	2008 Expense	2008 Cash Payments
Antitrust settlement costs	\$ (15)	\$ 6	\$ (21)
Facility closure, severance and related costs	(22)		(22)
Interest expense	(1)	59	(60)
Environmental liabilities	(6)	5	(11)
Management incentive plans	(1)	6	(7)
Income taxes	9	37	(28)

Net cash provided by operations for the nine months ended September 30, 2008 also reflects the impact of certain non-cash charges, including \$180 million of depreciation and amortization expense and \$321 million impairment charge.

Cash Flows from Investing and Financing Activities

Net cash used in investing activities was \$63 million for the nine months ended September 30, 2008, which included net proceeds from divestments of \$68 million offset by \$37 million of net cash paid for the Baxenden and GLCC Laurel, LLC acquisitions. Additionally, capital expenditures for 2008 amounted to \$94 million as compared with \$73 million for the nine months ended 2007. Expenditures were primarily related to domestic and foreign facilities and environmental and other compliance requirements.

Net cash used in financing activities was \$5 million for the nine months ended September 30, 2008, which included net proceeds from borrowings of \$71 million, payments on borrowings of \$31 million, dividend payments of \$36 million and proceeds from exercise of stock options of \$1 million.

On October 31, 2008, the Company announced that it would suspend the payment of dividends to conserve cash and expand liquidity in a period of economic uncertainty.

Other Sources and Uses of Cash

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The Company expects to finance its operations and capital spending requirements for 2008 with cash flows provided by operations, proceeds from sales of businesses, available cash and cash equivalents, additional sales of accounts receivable under its securitization programs, borrowings under its revolving credit facility and other sources. As of September 30, 2008, the Company had undrawn availability under its senior credit agreement of approximately \$580 million.

The Company has an accounts receivable securitization program to sell up to \$275 million of domestic receivables to agent banks. Accounts receivable sold under this program were \$136 million and \$167 million as of September 30, 2008 and 2007, respectively. In addition, the Company's European subsidiaries have a separate program to sell up to approximately \$254 million of their eligible accounts receivable to an agent bank. International accounts receivable sold under this program were \$177 million and \$136 million as of September 30, 2008 and 2007, respectively.

Included in cash and cash equivalents in the Company's consolidated balance sheets at both September 30, 2008 and December 31, 2007, are \$1 million and \$2 million, respectively, of restricted cash that is required to be on deposit to support certain letters of credit and performance guarantees, the majority of which will be settled within one year. There are no additional legal restrictions on these cash balances.

Contractual Obligations

At September 30, 2008, borrowings under the Credit Facility were \$70 million.

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During the nine months ended September 30, 2008, the Company made aggregate contributions of \$33 million to its domestic and international pension and postretirement benefit plans. The Company's funding assumptions for its domestic pension plans assume no significant change with regard to demographics, legislation, plan provisions, or actuarial assumptions or methods to determine the estimated funding requirements.

In light of current equity market conditions, it is anticipated that the equity assets of the Company's qualified domestic and international pension plans will have declined in value during 2008. This will likely result in an increase in the net periodic cost of these plans in 2009 and increase the Company's contributions to the plans in future years. The conditions in the financial markets may also result in changes in the discount rate and expected rate of return used in the actuarial computations related to the plans.

The Company has net liabilities related to unrecognized tax benefits of \$52 million at September 30, 2008 and \$66 million at December 31, 2007. The change primarily relates to the settlement of foreign tax audits. At September 30, 2008, the Company anticipates that these liabilities may decrease by approximately \$15 million within the next 12 months.

The \$370 million 7% Notes due 2009 (2009 Notes), which mature in July 2009, have been classified under short-term borrowings as of September 30, 2008. The Company intends to refinance its 2009 Notes with the issuance of new long-term financing or proceeds from the sale of assets. Should financial market conditions preclude a long-term refinancing prior to the maturity, the Company will refinance the notes from other sources of liquidity including utilizing its existing \$750 million senior credit agreement that is not due until July 2010. The Company would then refinance the debt with long-term debt when market conditions permit. The Company expects to have sufficient availability under the senior credit agreement in the period ending July 2009 to permit the redemption of the full amount of the 2009 Notes.

To expand its other sources of liquidity, the Company has reduced its planned capital expenditures, is targeting to reduce inventories and has suspended the payment of its dividend. As part of its review of strategic alternatives, the Company continues to actively evaluate strategic options, including (among other options) select business divestitures, value creating acquisitions, joint ventures and changes in the Company's capital structure, with an emphasis on a potential divestiture of a business. Were a divestiture to occur, the proceeds will be used to redeem the 2009 Notes in whole or in part.

Bank Covenants and Guarantee

The Company and the Domestic Subsidiary Guarantors were required to provide a security interest in the stock of their first tier subsidiaries and other equity interests (limited to 66% of the voting stock of first-tier foreign subsidiaries) pursuant to a covenant in the Company's senior credit agreement. Additionally, under the terms of the indentures for the 7% Notes due 2009, 6.875% Notes due 2016 and the 6.875% Debentures due 2026 (the Notes), the Company would be required to secure the notes on an equal and ratable basis with other certain indebtedness if secured debt thresholds are exceeded. The Company amended and restated its Pledge Agreement on July 31, 2007 so that the senior credit agreement would only be secured up to the lowest debt threshold amount specified under the Notes.

On November 5, 2008, Standard and Poor's Ratings Service lowered its corporate credit and senior unsecured debt ratings on Chemtura to BB- from BB. Their ratings outlook is negative. As a result of the reduction in the rating, under the terms of its senior credit facility, the spread over LIBOR for advances under the facility increases from 1.25% to 1.60%.

The Company's various debt agreements contain covenants that limit the Company's ability to enter into certain transactions, such as incurring additional indebtedness, increasing the Company's dividends, and entering into acquisitions, dispositions and joint ventures. When giving notice of borrowings under the senior credit agreement, the Company is required to make certain customary representations, to the lenders, including that no material adverse change (as defined in the agreements) in the business has occurred since December 31, 2004. The Company is required to report compliance with certain financial covenants to its lenders under the senior credit agreement on a quarterly basis including two financial maintenance covenants.

- The Company is required to maintain a leverage ratio (adjusted total debt (Total Debt) to adjusted earnings before interest, taxes, depreciation and amortization (Bank EBITDA) where Total Debt must not exceed three times Bank EBITDA (with adjustments to both debt and earnings being made in accordance with the terms of the credit facility agreement). As of September 30, 2008 Total Debt was 2.7 times Bank EBITDA.

- An interest coverage ratio (Bank EBITDA to interest expense as defined in the credit facility agreement) where Bank EBITDA must be at least 4.5 times interest expense. As of September 30, 2008 Bank EBITDA was 5.4 times interest expense.

The Company was in compliance with the covenants under its various debt agreements at September 30, 2008 and expects to be in compliance over the next twelve months and future periods.

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The Company has standby letters of credit and guarantees with various financial institutions. At September 30, 2008, the Company had \$96 million of outstanding letters of credit and guarantees primarily related to liabilities for environmental remediation, insurance obligations and European value added tax obligations. The Company also had \$16 million of third party guarantees at September 30, 2008 for which it has reserved for \$2 million at September 30, 2008, which represents the probability weighted fair value of these guarantees.

As liquidity permits, the Company may from time to time seek to retire its outstanding public debt through open market purchases, privately negotiated transactions or otherwise. Whether the Company makes any such repurchases, and the terms of any such repurchases, will depend on prevailing market conditions, the Company's liquidity position, contractual restrictions and other factors.

CRITICAL ACCOUNTING ESTIMATES

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. The Company's estimates are based on historical experience and currently available information. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Accounting Policies footnote in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 describe the critical accounting estimates and accounting policies used in preparation of the consolidated financial statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the Company's critical accounting estimates during the first nine months of 2008, with the exception of the carrying value of goodwill.

Carrying Value of Goodwill

The Company has elected to perform its annual goodwill impairment procedures for all of its reporting units in accordance with Statement No. 142, Goodwill and Other Intangible Assets as of July 31, or sooner, if events occur or circumstances change that could reduce the fair value of a reporting unit below its carrying value.

During the quarter ended June 30, 2008, the Company updated its long-term financial projections for each of its businesses. The projections for the Consumer Products segment indicated an inability to sustain the level of goodwill associated with that segment. An estimated goodwill impairment charge of \$320 million was recorded in this reporting unit in the second quarter of 2008. The Company finalized its review of the estimated charge in the third quarter of 2008 and no change to the estimated charge was required.

The Company's cash flow projections, used to estimate the fair value of its reporting units, are based on subjective estimates. Although the Company believes that its projections reflect its best estimates of the future performance of its reporting units, changes in estimated revenues or operating margins could have an impact on the estimated fair values. Any increases in estimated reporting unit cash flows would have had no impact on the carrying value of that reporting unit. However, a decrease in future estimated reporting unit cash flows could require the Company to determine whether recognition of a goodwill impairment charge was required. Based on the estimated fair values used to test goodwill for impairment in accordance with FASB Statement No. 142, the Company concluded that no impairment existed in any of its reporting units at July 31, 2008.

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As the third quarter of 2008 progressed, significant weakness developed in global financial markets, resulting in decreases in the valuation of public companies and restricted availability of capital. Further, it appears that the global economy may be entering into a recession. During this period, the Company's stock price has fallen to a value that is at a significant discount to the per share value of the Company's book value. These events were of sufficient magnitude for the Company to conclude that it was appropriate to perform a goodwill impairment review as of September 30, 2008.

With the speed of events, there is not yet a body of forecast information to assess the likely intensity or duration of the recession or quantify the likely impact on the markets it supplies. Additionally, the financial crisis has been accompanied by reductions in spot commodity prices that may result in a reversal of the raw material inflation the Company has experienced during the last year. The Company has therefore used its own current estimates of the effects of the macroeconomic changes on the markets it serves to develop an updated view of its projections. Those updated projections have been used to compute updated estimated fair values of its reporting units. Based on these estimated fair values used to test goodwill for impairment in accordance with FASB Statement No. 142, the Company concluded that no impairment existed in any of its reporting units at September 30, 2008.

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In reviewing the goodwill impairment test as of September 30, 2008, the Company concluded:

- If the operating margin used in estimating the fair value of the Polymer Additives reporting unit were assumed to be 50 basis points lower in all forecast periods, the carrying value of the reporting unit would exceed the estimated fair value by approximately \$40 million.
- If the operating margin used in estimating the fair value of the Consumer Products reporting unit were assumed to be 50 basis points lower in all forecast periods, the carrying value of the reporting unit would exceed the estimated fair value by approximately \$125 million.

As these scenarios evidence, the Polymer Additives and Consumer Products reporting units are particularly sensitive to any further revisions in its future projections. If either of these events occurred, the Company would then determine whether recognition of a goodwill impairment charge would be required.

The Company continually monitors and evaluates business and competitive conditions that affect its operations and reflects the impact of these factors in its financial projections. The Company also monitors its stock price over time as an indicator of changes in the fair value of its business. If permanent or sustained changes in business, competitive conditions or stock price occur, they can lead to revised projections that could potentially give rise to impairment charges.

ACCOUNTING DEVELOPMENTS

Implemented in 2008

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The provisions of FAS 159 are effective as of the beginning of the Company's 2008 fiscal year. The Company elected to not fair value existing eligible items, beginning January 1, 2008.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (FAS 157), which establishes a comprehensive framework for measuring fair value and expands disclosures about fair value measurements. The provisions of FAS 157, specifically for financial assets and liabilities, are effective as of the beginning of the Company's 2008 fiscal year. The Company values financial instruments using Level 2, observable inputs. The Company carries derivative instruments at fair value.

Future Implementations

In February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of FAS 157 for all nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact that the application of FAS 157 to its nonfinancial assets and liabilities will have on its consolidated results of operations.

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 (FAS 160), which will require companies to treat noncontrolling interests (commonly referred to as minority interest) as a separate component of shareholders' equity and not as a liability. The provisions of FAS 160 are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 160 on its consolidated financial position and results of operations.

In December 2007, the FASB issued Statement No. 141 (revised 2007), Business Combinations (FAS 141(R)), which requires that identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination be recorded at full fair value. The provisions of FAS 141(R) are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 141(R) on its consolidated financial position and results of operations.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (FAS 161), which will require companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS 133, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The provisions of FAS 161 are effective as of the beginning of the Company's 2009 fiscal year. The Company is assessing the impact of adopting FAS 161 on its consolidated financial position and results of operations.

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FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. These forward-looking statements are identified by terms and phrases such as anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will and similar expressions and inclusions, which are based on assumptions and relate to our future prospects, developments and business strategies.

Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- General economic conditions;
- Significant international operations and interests;
- The ability to obtain increases in selling prices to offset increases in raw material and energy costs;
- The ability to retain sales volumes in the event of increasing selling prices;
- The ability to absorb fixed cost overhead in the event of lower volumes;
- Pension and other post-retirement benefit plan assumptions;
- The ability to successfully complete the turnaround of our Polymer Additives segment;
- The ability to obtain growth from demand for petroleum additive, lubricant and agricultural product applications;
- The ability to sustain profitability in our Crop Protection business due to new generic competition. Additionally, the Crop Protection business is dependent on disease and pest conditions, as well as local, regional, regulatory and economic conditions;
- The ability to sell methyl bromide due to regulatory restrictions;
- Changes in weather conditions which could adversely affect the seasonal selling cycles in both our Consumer Products and Crop Protection segments;
- Changes in the availability and/or quality of our energy and raw materials;
- The ability to collect our outstanding receivables;
- Changes in interest rates and foreign currency exchange rates;
- Changes in technology, market demand and customer requirements;
- The enactment of more stringent domestic and international environmental laws and regulations;

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- The ability to realize expected cost savings under our restructuring plans, Six Sigma and Lean manufacturing initiatives;
- The ability to maintain effective collective bargaining agreements with union employees;
- The outcome of our review of strategic alternatives including our ability to sell a business or assets as part of a portfolio re-alignment;
- The ability to reduce our indebtedness levels;
- The ability to reduce inventories in the fourth quarter of 2008 and in 2009;
- The ability to refinance our debt obligations as they near maturity;
- The ability to recover our deferred tax assets;
- The ability to successfully complete the Company's new SAP platform initiative;
- The ability to support the goodwill related to our business segments if they sustain a decline in demand or percentage margins;
- The ability to remain compliant with our debt covenants or obtain necessary waivers; and
- Other risks and uncertainties detailed in Item 1A. Risk Factors or in our filings with the Securities and Exchange Commission.

These statements are based on the Company's estimates and assumptions and on currently available information. The forward-looking statements include information concerning the Company's possible or assumed future results of operations, and the Company's actual results may differ significantly from the results discussed. Forward-looking information is intended to reflect opinions as of the date this press release was issued and such information will not necessarily be updated by the Company.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Item 7A Quantitative and Qualitative Disclosures About Market Risk and the Derivative Instruments and Hedging Activities Note to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Also refer to the Derivative Instruments and Hedging Activities footnote included in the notes to the consolidated financial statements (unaudited) included in this Form 10-Q.

The fair market value of long-term debt is subject to interest rate risk. The Company's long-term debt amounted to \$1.1 billion at September 30, 2008. The fair market value of such debt as of September 30, 2008 was \$1.0 billion, which has been determined primarily based on quoted market prices.

The Company uses price swap contracts as cash flow hedges to convert a portion of its forecasted natural gas purchases from variable price to fixed price purchases. These contracts involve the exchange of payments over the life of the contracts without an exchange of the notional amount upon which the payments are based. The differential paid or received as natural gas prices change is recognized as an adjustment to cost of goods sold. The fair value of the contracts at September 30, 2008, resulted in an immaterial pre-tax loss, which was recorded as a component of accumulated other comprehensive income. Sensitivity analysis is a technique used to evaluate the impact of hypothetical market value changes. A hypothetical ten percent increase in the cost of natural gas at September 30, 2008 would result in an increase in the fair market value of the outstanding derivatives of \$1 million to an unrealized gain of \$1 million; conversely, a hypothetical ten percent decrease in the cost of natural gas would result in a decrease in the fair market value of the outstanding derivatives of \$1 million to an unrealized loss of \$1 million.

In the fourth quarter of 2007, the Company ceased the purchase of additional price swap contracts as cash flow hedges of forecasted natural gas purchases and established fixed price contracts with physical delivery with its natural gas vendor. The existing price swap contracts mature through 2009.

There have been no other significant changes in market risk since December 31, 2007.

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ITEM 4. Controls and Procedures

(a) *Disclosure Controls and Procedures*

As of September 30, 2008, the Company's management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have conducted an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are not effective as a result of an unremediated material weakness associated with not providing adequate oversight to ensure a timely and effective review of its income tax accounts.

(b) *Changes in Internal Control Over Financial Reporting*

During the course of the Company's evaluation of internal controls over financial reporting at December 31, 2007, management identified that the Company did not maintain adequate resources in its tax functions; therefore, management's oversight and review related to certain accounts and analysis was not timely or effective. This deficiency resulted in material misstatements in the Company's preliminary 2007 deferred income tax accounts which were corrected prior to the filing of the Company's December 31, 2007 Form 10-K.

Other than described below, there were no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2008 or subsequent to the date the Company completed its evaluation, that have materially affected or reasonably likely to materially affect, the Company's internal control over financial reporting.

Management is in the process of implementing certain additional controls intended to remediate the aforementioned material weakness. Beginning with the nine months ended September 30, 2008, the Company has assigned additional resources to its tax department and implemented additional procedures that include strengthened review procedures over the tax accounts.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

ENVIRONMENTAL MATTERS

Each quarter, the Company evaluates and reviews estimates for future remediation and other costs to determine appropriate environmental reserve amounts. For each site where the cost of remediation is probable and estimable, a determination is made of 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 the Company and the anticipated time frame over which payments toward the remediation plan will occur. At sites where the Company expects to incur ongoing operation and maintenance expenditures, the Company accrues on an undiscounted basis for a period, which is generally 10 years, where it believes that such costs are estimable. The total amount accrued for such environmental liabilities at September 30, 2008 and December 31, 2007, was \$112 million and \$118 million, respectively. At September 30, 2008 and December 31, 2007, environmental liabilities of \$24 million and \$27 million, respectively, have been included in accrued expenses and \$88 million and \$91 million, respectively, have been included in other liabilities on the consolidated balance sheets. The Company estimates the environmental liability could range up to \$148 million at September 30, 2008. The Company's reserves include estimates for determinable clean-up costs. During the nine months ended September 30, 2008, the Company recorded a pre-tax charge of \$5 million, to increase its environmental liabilities and made payments of \$11 million for clean-up costs, which reduced its environmental liabilities. At certain sites, the Company has contractual agreements with certain other parties to share remediation costs. The Company has a receivable of \$12 million at September 30, 2008 to reflect probable recoveries. 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. The Company intends 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 the Company's present estimates, and could have, individually or in the aggregate, a material adverse effect on the Company's financial condition, results of operations and cash flows. It is reasonably possible that the Company's 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.

The Company and some of its subsidiaries have been identified by federal, state or local governmental agencies, and by other potentially responsible parties (a PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or comparable state statutes, as a PRP with respect to costs associated with waste disposal sites at various locations in the United States. Because in certain circumstances these laws have been construed to authorize joint and several liability, the EPA could seek to recover all costs involving a waste disposal site from any one of the PRPs for such site, including the Company, despite the involvement of other PRPs. In many cases, the Company is one of several hundred PRPs so identified. In a few instances, the Company is the sole or one of only a handful of parties performing investigation and remediation. Where other financially responsible PRPs are involved, the Company expects that any ultimate liability resulting from such matters will be apportioned between the Company and such other parties. In addition, the Company is involved with environmental remediation and compliance activities at some of its current and former sites in the United States and abroad. The more significant of these matters are described below.

Conyers Clean Air Act Investigation The U.S. EPA is investigating alleged violations of law by the Company arising out of the Clean Air Act and other environmental statutes and is seeking a penalty and other relief in excess of one hundred thousand dollars. The Company intends to assert all meritorious legal defenses and will continue to assess relevant facts and attempt to negotiate an acceptable settlement with the EPA. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition.

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Petrolia - In April 2004, the Company and other owners of property near our former Petrolia, Pennsylvania facility were named as defendants in a toxic tort class action lawsuit alleging contamination in and around the named areas that gave rise to certain property damage and personal injuries. The plaintiffs also sought clean-up by the defendants of the alleged contamination. On October 18, 2005, the Court issued its Memorandum Opinion and Order denying the plaintiffs' motion for class certification, and on August 2, 2006, the Pennsylvania Superior Court affirmed the lower court's opinion. Multiple lawsuits have been filed against the Company by individuals who were a part of the putative class. The matter has proceeded to the discovery phase. The Company believes that it has meritorious defenses and will be filing dispositive motions.

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LEGAL PROCEEDINGS

Tricor - This case involves two related properties in Bakersfield, California; the Oildale Refinery (the Refinery) and the Mt. Poso Tank Farm (Mt. Poso). The Refinery and Mt. Poso were previously owned and operated by a division of Witco Corp., a predecessor of the Company. In 1997, the Refinery and portions of Mt. Poso were sold to Golden Bear Acquisition Corp. Under the terms of sale, Witco retained certain environmental obligations with respect to the Refinery and Mt. Poso. Golden Bear operated the refinery for several years before filing bankruptcy in 2001. Tricor Refining LLC (Tricor) purchased the Refinery and related assets out of bankruptcy. In 2004, Tricor commenced an action against the Company alleging that the Company failed to comply with its environmental obligations.

In July 2007, the Court entered an order finding liability against Chemtura. A phase of the trial, which will determine the damages to which Tricor may be entitled, is scheduled to take place in November 2008. The Company will continue to defend this case vigorously. The Company does not believe that the resolution of this matter will have a material adverse effect on the Company's financial condition.

Conyers - The Company and certain of its former officers and employees were named as defendants in five putative state class action lawsuits filed in three counties in Georgia and one putative class action lawsuit filed in the United States District Court for the Northern District of Georgia pertaining to the fire at the Company's Conyers, Georgia warehouse on May 25, 2004. Of the five putative state class actions, two were voluntarily dismissed by the plaintiffs, leaving three such lawsuits, all of which are now pending in the Superior Court of Rockdale County, Georgia. These remaining putative state class actions, as well as the putative class action pending in federal district court, seek recovery for economic and non-economic damages allegedly arising from the fire. Punitive damages are sought in the Davis case in Rockdale County, Georgia and in the Martin case in the United States District Court for the Northern District of Georgia. The Martin case also seeks a declaratory judgment to reform certain settlements, as well as medical monitoring and injunctive relief. The Company intends to defend vigorously against these lawsuits.

The Company was also named as a defendant in fifteen lawsuits filed by individual or multi-party plaintiffs in the Georgia and Federal courts pertaining to the May 25, 2004 fire at its Conyers, Georgia warehouse. Eight of these lawsuits remain. The plaintiffs in these remaining lawsuits seek recovery for economic and non-economic damages, including punitive damages in five of the eight remaining lawsuits. One of the lawsuits, the Diana Smith case, was filed in the United States District Court for the Northern District of Georgia against the Company, as well as the City of Conyers and Rockdale County, and included allegations similar to those in the other lawsuits noted above, but adding claims for alleged civil rights violations, federal Occupational Safety and Health Administration violations, Georgia Racketeer Influenced and Corrupt Organizations Act violations, criminal negligence, reckless endangerment, false imprisonment, and kidnapping, among other claims. The federal law claims were dismissed with prejudice and the state law claims were dismissed without prejudice. The Court has also dismissed without prejudice the plaintiffs' claims against the City of Conyers and Rockdale County. The Diana Smith case was subsequently refiled and is pending in the Superior Court of Rockdale County, Georgia. The Company intends to defend vigorously against these lawsuits.

On or about January 8, 2007, the Company was named as a defendant in a lawsuit filed by an individual, George J. Collins, in the Superior Court of Gwinnett County, Georgia. The lawsuit includes allegations pertaining to the May 25, 2004 fire at its Conyers, Georgia warehouse, and seeks recovery for economic and non-economic damages, including punitive damages. The action has been transferred to the State Court for Gwinnett County, Georgia. The Company intends to vigorously defend against this lawsuit.

Within one day of the fire, the Company established a claims office to resolve all legitimate economic and personal injury claims in the Rockdale County, Georgia area. The Company still maintains a claims office in Conyers, and continues to negotiate the settlement of claims whether submitted through the claims office or otherwise.

At the time of the fire, the Company maintained, and continues to maintain, property and general liability insurance. The Company believes that its general liability policies will adequately cover any third party claims and legal and processing fees in excess of the amounts that were recorded through September 30, 2008.

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Albemarle Corporation - In May 2002, Albemarle Corporation filed two complaints against the Company in the United States District Court for the Middle District of Louisiana, one alleging that the Company infringed three process patents held by Albemarle Corporation relating to bromine vacuum tower technology, and the other alleging that the Company infringed or contributed to or induced the infringement of a patent relating to the use of decabromodiphenyl ethane as a flame retardant in thermoplastics. On a motion by the Company and over Albemarle's objection, the cases were consolidated. In addition, the Company filed a counterclaim with the District Court in the flame retardant cases, alleging, among other things, that the Albemarle patent is invalid or was obtained as a result of inequitable conduct from the United States Patent and Trademark Office. In March 2004, Albemarle amended its consolidated complaint to add additional counts of patent infringement and trade secret violations. The Company believes that the allegations of Albemarle in the consolidated complaint, as well as the allegations in the additional counts, are without basis, factually or legally, and intends to defend the case vigorously. On October 25, 2005, Albemarle filed a complaint against Chemtura Corporation and Great Lakes Chemical Corporation in the United States District Court for the Middle District of Louisiana alleging that Chemtura and Great Lakes infringed a recently granted U.S. patent held by Albemarle relating to a decabromodiphenyl ethane wet cake intermediate product. The Company believes that the allegations of the complaint are without basis, factually or legally, and intends to defend the case vigorously.

Each quarter the Company evaluates and reviews pending claims and litigation to determine appropriate reserve amounts. As of September 30, 2008 and December 31, 2007, the Company's accruals for probable loss in the aforementioned legal proceeding cases were immaterial. In addition, the related receivable to reflect probable insurance recoveries is also immaterial.

The Company intends to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. The resolution of the legal proceedings now pending or hereafter asserted against the Company or any of its subsidiaries could require the Company to pay costs or damages in excess of its present estimates, and as a result could, either individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations and cash flows.

In addition to the matters referred to above, the Company is subject to routine litigation in connection with the ordinary course of its business. These routine matters have not had a material adverse effect on the Company, its business or financial condition in the past, and the Company does not expect this litigation, individually or in the aggregate, to have a material adverse effect on its business or its financial condition in the future, but it can give no assurance that such will be the case.

ANTITRUST INVESTIGATIONS AND RELATED MATTERS

Rubber Chemicals

On May 27, 2004, the Company pled guilty to a one-count information charging the Company with participating in a combination and conspiracy to suppress and eliminate competition by maintaining and increasing the price of certain rubber chemicals sold in the United States and elsewhere during the period from July 1995 to December 2001. The U.S. federal court imposed a fine of \$50 million, payable in nine annual installments, without interest, beginning in 2004. In light of the Company's cooperation with the U.S. Department of Justice (the DOJ), the court did not impose any period of corporate probation. On May 28, 2004, the Company pled guilty to one count of conspiring to lessen competition unduly in the sale and marketing of certain rubber chemicals in Canada. The Canadian federal court imposed a sentence requiring the Company to pay a fine of CDN \$9 million (approximately U.S. \$7 million), payable in six annual installments, without interest, beginning in 2004. The Company paid (in U.S. dollars) \$2 million in 2005, \$7 million in 2006, \$12 million in 2007 and \$16 million in 2008. Remaining cash payments for the US and Canadian fines are expected to be approximately \$19 million in 2009. At September 30, 2008, a reserve of \$18 million related to these settlements has been included in accrued expenses on the Company's consolidated balance sheet. At December 31, 2007, reserves of \$17 million and \$17 million were included in accrued expenses and other liabilities, respectively.

European Union (EU) Investigations

The Company and certain of its subsidiaries are subjects of, and continue to cooperate in, an investigation being conducted by the European Commission (the EC) with respect to possible antitrust violations relating to the sale and marketing of various classes of heat stabilizers. Such investigations concern anticompetitive practices, including price fixing and customer or market allocations, undertaken by the Company and such subsidiaries and certain of their officers and employees. The Company and its subsidiaries that are subject to the investigations have received from the EC written assurances of conditional amnesty with respect to certain classes of heat stabilizers. The assurances of amnesty are conditioned upon several factors, including continued cooperation with the EC. The Company is actively cooperating with the EC regarding the heat stabilizer investigation.

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Civil Lawsuits

The actions described below under "U.S. Civil Antitrust Actions" are in various procedural stages of litigation. Although the actions described below have not had a material adverse impact on the Company, we cannot predict the outcome of any of those actions. The Company will seek cost-effective resolutions of the various pending and threatened legal proceedings against the Company; however, the resolution of any civil claims now pending or hereafter asserted against the Company or any of its subsidiaries could have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company has established reserves for all direct and indirect purchaser claims as of September 30, 2008.

The Company reviews its reserves for civil lawsuits on a quarterly basis. The Company also adjusts its reserves quarterly to reflect its current best estimates.

U.S. Civil Antitrust Actions

Direct and Indirect Purchaser Lawsuits. The Company, individually or together with its subsidiary Uniroyal Chemical Company, Inc., now merged into Chemtura Corporation (referred to as "Uniroyal" for the purposes of the description of the Company's lawsuits), and other companies, are defendants in various proceedings filed in state and federal courts, described below.

Federal Lawsuits. The Company and certain of its subsidiaries continues to be a defendant in two lawsuits pending in the federal courts. One of these suits is a Massachusetts indirect purchaser claim premised upon violations of state law. The suit was originally filed in Massachusetts state court in May 2005 as an indirect purchaser action, and was subsequently removed to the United States District Court, District of Massachusetts. The complaint initially related to purchases of any product containing rubber and urethane products, defined to include EPDM, nitrile rubber and urethanes, but is now limited to urethanes only. On September 12, 2008, the Company received final court approval of a settlement agreement covering this action. The other suit, described separately below under the sub-heading "Bandag" was originally filed as a direct purchaser suit on June 29, 2006 in the United States District Court, Middle District of Tennessee and was subsequently transferred to the United States District Court, Northern District of California. In both of these actions, and in all actions pending in state courts (further described below), the plaintiffs seek, among other things, treble damages, costs (including attorneys' fees) and injunctive relief preventing further violations or the improper conduct alleged in the complaint. Neither of these federal suits is expected to have a material adverse effect on the Company.

Bandag. This suit was originally brought by Bridgestone Americas Holding, Inc, Bridgestone Firestone North American Tire, LLC, and Pirelli Tire, LLC (all of whom have since settled) along with the remaining plaintiff, Bandag Incorporated (n/k/a/ Bridgestone Bandag, LLC), with respect to purchases of rubber chemicals from the Company, Uniroyal and several of the world-wide leading suppliers of rubber chemicals. This suit alleges that the Company and Uniroyal, along with other rubber chemical manufacturers conspired to fix the prices of the rubber chemicals, and to divide the rubber chemicals markets in violation of Section 1 of the Sherman Act. Bandag Incorporated, a designer and manufacturer of tire re-treading, directly purchased from the Company and from the other defendants to this suit, and in doing so, claims to have paid artificially inflated prices for rubber chemicals. Bandag has requested treble damages, costs (including attorneys' fees) and such other relief as the court may deem appropriate. The Company has agreed to utilize a litigated and binding arbitration to try the claims at issue in this action.

State Lawsuits. The Company, individually or together with Uniroyal, also continues to be a defendant in certain indirect purchaser antitrust class action lawsuits filed in state courts involving the sale of urethanes and urethane chemicals. The complaints in these actions principally allege that the defendants conspired to fix, raise, maintain or stabilize prices for urethanes and urethane chemicals, sold in the United States in violation of certain antitrust statutes and consumer protection and unfair or deceptive practices laws of the relevant jurisdictions and that this caused injury to the plaintiffs who paid artificially inflated prices for such products as a result of such alleged anticompetitive activities. There

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are currently 16 state complaints pending. On September 12, 2008, the Company received final court approval of a settlement agreement covering 4 of these actions. In addition, the Company has reached a settlement agreement covering the remaining 12 complaints, all of which are pending in a coordinated proceeding in the Superior Court of the State of California for the County of San Francisco. None of these state lawsuits individually or in the aggregate are expected to have a material adverse effect on the Company.

Australian Civil Antitrust Matters

On September 27, 2007, the Company was sued in the Federal Court of Australia for alleged price fixing violations with respect to the sale of rubber chemicals in Australia. The Company has not yet responded to the complaint, nor at this early stage, assessed its merits. On October 10, 2008, the Federal Court of Australia rendered a decision in which the applicant's Statement of Claim was struck. The applicant was given until November 21, 2008 to file a further Statement of Claim. The Company does not expect this matter will be material.

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Federal Securities Class Action

The Company, certain of its former officers and directors (the Crompton Individual Defendants), and certain former directors of the Company's predecessor Witco Corp. are defendants in a consolidated class action lawsuit, filed on July 20, 2004, in the United States District Court, District of Connecticut, brought by plaintiffs on behalf of themselves and a class consisting of all purchasers or acquirers of the Company's stock between October 1998 and October 2002. The consolidated amended complaint principally alleges that the Company and the Crompton Individual Defendants caused the Company to issue false and misleading statements that violated the federal securities laws by reporting inflated financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The putative class includes former Witco Corp. shareholders who acquired their securities in the Crompton-Witco merger pursuant to a registration statement that allegedly contained misstated financial results. The complaint asserts claims against the Company and the Crompton Individual Defendants under Section 11 of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. Plaintiffs also assert claims for control person liability under Section 15 of the Securities Act of 1933 and Section 20 of the Securities Exchange Act of 1934 against the Crompton Individual Defendants. The complaint also asserts claims for breach of fiduciary duty against certain former directors of Witco Corp. for actions they allegedly took as Witco Corp. directors in connection with the Crompton-Witco merger. The plaintiffs seek, among other things, unspecified damages, interest, and attorneys' fees and costs. The Company and the Crompton Individual Defendants filed a motion to dismiss on September 17, 2004, which is now fully briefed and pending. The former directors of Witco Corp. filed a motion to dismiss in February 2005, which is pending. On July 22, 2005, the court granted a motion by the Company and the Crompton Individual Defendants to stay discovery in the related Connecticut shareholder derivative lawsuit (described below under Shareholder Derivative Lawsuit), pending resolution of the motion to dismiss by the Company and Crompton Individual Defendants. On April 30, 2008, the parties entered a memorandum of understanding to settle the litigation. Under the proposed settlement, defendants will pay or cause to be paid \$21 million and deny any wrongdoing or liability. The settlement's terms are being finalized by the parties.

Shareholder Derivative Lawsuit

Certain current directors and one former director and officer of the Company (the Individual Defendants) are defendants in a shareholder derivative lawsuit filed on August 25, 2003 in Connecticut state court, nominally brought on behalf of the Company. The Company is a nominal defendant in the lawsuit. The plaintiff filed an amended complaint on November 19, 2004. The amended complaint principally alleges that the Individual Defendants breached their fiduciary duties by causing or allowing the Company to issue false and misleading financial statements by inflating financial results resulting from an alleged illegal, undisclosed price-fixing conspiracy. The plaintiff contends that this wrongful conduct caused the Company's financial results to be inflated, cost the Company its credibility in the marketplace and market share, and has and will continue to cost the Company millions of dollars in investigative and legal fees. The plaintiff seeks, among other things, compensatory and punitive damages against the director defendants in unspecified amounts, prejudgment interest, and attorneys' fees and costs. The Company filed a motion to strike all counts of the complaint on January 12, 2005 for failure to allege adequately that a pre-lawsuit demand on the Company's Board of Directors by the plaintiff would have been futile and was thus excused. This motion was subsequently denied by the court. Discovery in this lawsuit has been stayed by the United States District Court, District of Connecticut, pending resolution of the motion to dismiss filed by Company's and the Crompton Individual Defendants in the related consolidated securities class action lawsuit described above under Federal Securities Class Action. On July 25, 2008, the plaintiff filed a motion in the District of Connecticut seeking to lift the federal court's discovery stay.

Reserves

At September 30, 2008 and December 31, 2007, the Company had a remaining reserve of \$29 million and \$43 million, respectively, included in accrued expenses on its consolidated balance sheets relating to the remaining U.S. direct and indirect purchaser lawsuits, the federal securities class action lawsuit described under Federal Securities Class Action and the shareholder derivative lawsuit described under Shareholder Derivative Lawsuit. These reserves cover all direct and indirect purchaser antitrust claims. The Company periodically reviews its accruals as additional information becomes available, and may adjust its accruals based on actual settlement offers and other later occurring events. The Company is unable to estimate the reasonably possible loss, if any, in excess of the accrual as none of these claims have been reduced to judgment.

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The reserve activity for antitrust related litigation is summarized as follows:

(In millions)	U.S. DOJ Fines	Governmental Canada Federal Fines	Total U.S and Canada Fines	Civil Cases U.S. Civil and Securities Matters
Balance January 1, 2007	\$ 37	\$ 6	\$ 43	\$ 102
Antitrust costs, excluding legal fees				24
Payments	(10)	(2)	(12)	(83)
Accretion - Interest	2		2	
Foreign currency translation		1	1	
Balance December 31, 2007	29	5	34	43
Antitrust costs, excluding legal fees				6
Payments	(14)	(2)	(16)	(20)
Balance September 30, 2008	\$ 15	\$ 3	\$ 18	\$ 29

Other

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations, arising in the ordinary course of its present business, as well as in respect of its divested businesses. Some of these claims and litigations relate to product liability claims, including claims related to the Company's current products and asbestos-related claims concerning premises and historic products of its corporate affiliates and predecessors. The Company believes that it has strong defenses to these claims. These claims have not had a material impact on the Company to date and the Company believes the likelihood that a future material adverse outcome will result from these claims is remote. However, the Company cannot be certain that an adverse outcome of one or more of these claims would not have a material adverse effect on its financial condition, results of operations, or cash flows.

ITEM 1A. Risk Factors

The Company's risk factors have been described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. There have been no significant changes in the Company's risk factors during the nine months ended September 30, 2008.

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ITEM 6. Exhibits

The following documents are filed as part of this report:

Number	Description
10.85	Amended and Restated Receivables Purchase Agreement dated as of September 28, 2006
10.86	Amendment Number 1 to Receivables Purchase Agreement (dated as of May 31, 2007)
10.87	Letter Agreement Regarding Receivables Purchase Agreement (dated as of May 31, 2007)
10.88	Amendment Number 2 to Amended and Restated Receivables Purchase Agreement (dated as of June 28, 2007)
10.89	First Amendment Dated as of May 31, 2007 to Fourth Amended and Restated Receivables Sale Agreement Dated as of September 28, 2006
10.90	Amendment No. 2 to Fourth Amended and Restated Receivables Sale Agreement (dated as of June 28, 2007)
10.91	Third Amendment Dated as of August 31, 2007 to Fourth Amended and Restated Receivables Sale Agreement Dated as of September 28, 2006
31.1	Certification of Periodic Report by Chemtura Corporation s Chief Executive Officer (Section 302) (filed herewith).
31.2	Certification of Periodic Report by Chemtura Corporation s Chief Financial Officer (Section 302) (filed herewith).
32.1	Certification of Periodic Report by Chemtura Corporation s Chief Executive Officer (Section 906) (filed herewith).
32.2	Certification of Periodic Report by Chemtura Corporation s Chief Financial Officer (Section 906) (filed herewith).

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**CHEMTURA CORPORATION
SIGNATURES**

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

CHEMTURA CORPORATION
(Registrant)

Date: November 7, 2008

/s/ Kevin V. Mahoney
Name: Kevin V. Mahoney
Title: Senior Vice President and Corporate Controller

Date: November 7, 2008

/s/ Lynn A. Schefsky
Name: Lynn A. Schefsky
Title: Senior Vice President, General Counsel and Secretary