

Chemtura CORP
Form 10-Q
May 02, 2013
[Table of Contents](#)

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 March 31, 2013

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)

Edgar Filing: Chemtura CORP - Form 10-Q

Delaware
(State or other jurisdiction of incorporation or organization)

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

1818 Market Street, Suite 3700, Philadelphia, Pennsylvania
199 Benson Road, Middlebury, Connecticut

19103

(Address of principal executive offices)

06749
(Zip Code)

(203) 573-2000

(Registrant's telephone number,

including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 definition of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if 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

Edgar Filing: Chemtura CORP - Form 10-Q

Class	Number of shares outstanding at March 31, 2013	
Common Stock - \$.01 par value		98,307,243

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2013

INDEX	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	2
<u>ITEM 1. Financial Statements</u>	2
<u>Consolidated Statements of Operations (Unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	3
<u>Consolidated Balance Sheets (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	5
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>	6
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	40
<u>ITEM 4. Controls and Procedures</u>	41
<u>PART II. OTHER INFORMATION</u>	42
<u>ITEM 1. Legal Proceedings</u>	42
<u>ITEM 1A. Risk Factors</u>	42
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
<u>ITEM 4. Mine Safety Disclosure</u>	43
<u>ITEM 5. Other Information</u>	43
<u>ITEM 6. Exhibits</u>	43
<u>SIGNATURE</u>	44

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CHEMTURA CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations (Unaudited)****Quarters ended March 31, 2013 and 2012***(In millions, except per share data)*

	Quarters ended March 31,	
	2013	2012
Net sales	\$ 606	\$ 618
Cost of goods sold	480	455
Selling, general and administrative	70	79
Depreciation and amortization	31	29
Research and development	9	12
Facility closures, severance and related costs	14	
Changes in estimates related to expected allowable claims		2
Equity loss	2	1
Operating income		40
Interest expense	(16)	(14)
Other income (expense), net	3	(3)
Reorganization items, net		(2)
(Loss) earnings from continuing operations before income taxes	(13)	21
Income tax (expense) benefit	(8)	1
(Loss) earnings from continuing operations	(21)	22
Loss from discontinued operations, net of tax	(2)	
Net (loss) earnings attributable to Chemtura	\$ (23)	\$ 22
Basic and diluted per share information - attributable to Chemtura		
(Loss) earnings from continuing operations	\$ (0.21)	\$ 0.22
Loss from discontinued operations, net of tax	(0.02)	
Net (loss) earnings attributable to Chemtura	\$ (0.23)	\$ 0.22
Weighted average shares outstanding - Basic	98.2	98.3
Weighted average shares outstanding - Diluted	98.2	99.1

See accompanying notes to Consolidated Financial Statements.

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

Quarters ended March 31, 2013 and 2012

(In millions)

	Quarters ended March 31,			
	2013		2012	
Net (loss) earnings	\$	(23)	\$	22
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments		(23)		22
Unrecognized pension and other post-retirement benefit costs		(1)		2
Comprehensive (loss) income attributable to Chemtura	\$	(47)	\$	46

See accompanying notes to Consolidated Financial Statements

Table of Contents**CHEMTURA CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****March 31, 2013 (Unaudited) and December 31, 2012***(In millions, except par value data)*

	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 251	\$ 363
Accounts receivable, net	470	405
Inventories, net	521	468
Other current assets	144	142
Current assets of discontinued operations	228	234
Total current assets	1,614	1,612
NON-CURRENT ASSETS		
Property, plant and equipment, net	734	719
Goodwill	173	177
Intangible assets, net	337	348
Other assets	166	174
Total assets	\$ 3,024	\$ 3,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 6	\$ 5
Accounts payable	218	175
Accrued expenses	189	194
Income taxes payable	8	12
Current liabilities of discontinued operations	123	125
Total current liabilities	544	511
NON-CURRENT LIABILITIES		
Long-term debt	882	871
Pension and post-retirement health care liabilities	384	393
Other liabilities	188	187
Total liabilities	1,998	1,962
STOCKHOLDERS' EQUITY		
Common stock - \$0.01 par value Authorized - 500.0 shares Issued - 100.4 shares at March 31, 2013 and December 31, 2012	1	1
Additional paid-in capital	4,367	4,366
Accumulated deficit	(2,871)	(2,848)
Accumulated other comprehensive loss	(452)	(428)
Treasury stock- at cost - 2.1 shares at March 31, 2013 and 2.4 shares at December 31, 2012	(26)	(30)
Total Chemtura stockholders' equity	1,019	1,061
Non-controlling interest - discontinued operations	7	7
Total stockholders' equity	1,026	1,068
Total liabilities and stockholders' equity	\$ 3,024	\$ 3,030

See accompanying notes to Consolidated Financial Statements.

Table of Contents**CHEMTURA CORPORATION AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows (Unaudited)****Quarters ended March 31, 2013 and 2012***(In millions)*

	Quarters ended March 31,	
	2013	2012
Increase (decrease) in cash		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings	\$ (23)	\$ 22
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:		
Impairment charges		1
Depreciation and amortization	32	33
Stock-based compensation expense	5	7
Reorganization items, net		1
Changes in estimates related to expected allowable claims		2
Equity income		(1)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(69)	(94)
Inventories	(58)	(53)
Accounts payable	45	34
Pension and post-retirement health care liabilities	(7)	(19)
Other		(22)
Net cash used in operating activities	(75)	(89)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(49)	(29)
Net cash used in investing activities	(49)	(29)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from ABL Facility, net		59
Proceeds from other long-term borrowings	13	
Payments on other long-term borrowings	(1)	
Payments on other short-term borrowings, net		(1)
Proceeds from exercise of stock options	1	
Net cash provided by financing activities	13	58
CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	(2)	2
Change in cash and cash equivalents	(113)	(58)
Cash and cash equivalents at beginning of period	365	180
Cash and cash equivalents at end of period	\$ 252	\$ 122
Cash and cash equivalents at end of period - Continuing operations	\$ 251	\$ 120
Cash and cash equivalents at end of period - Discontinued operations	\$ 1	\$ 2

See accompanying notes to Consolidated Financial Statements.

Table of Contents

CHEMTURA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

The information in the foregoing Consolidated Financial Statements for the quarters ended March 31, 2013 and 2012 is unaudited but reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise disclosed in the accompanying notes to our Consolidated Financial Statements.

Basis of Presentation

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

Edgar Filing: Chemtura CORP - Form 10-Q

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

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

We operated as a debtor-in-possession (DIP) under the protection of the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) from March 18, 2009 (the Petition Date) through November 10, 2010 (the Effective Date). From the Petition Date through the Effective Date, our Consolidated Financial Statements were prepared in accordance with Accounting Standards Codification (ASC) Section 852-10-45, *Reorganizations Other Presentation Matters* (ASC 852-10-45) which requires that financial statements, for periods during the pendency of our voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Chapter 11) filings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and expenses for losses that are realized or incurred in the Chapter 11 cases are recorded in Reorganization items, net in our Consolidated Statements of Operations. As of March 31, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

Table of Contents

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

Accounting Policies and Other Items

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

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

During the quarters ended March 31, 2013 and 2012, we made interest payments of approximately \$25 million and \$23 million, respectively. During the quarters ended March 31, 2013 and 2012, we made payments for income taxes (net of refunds) of \$3 million and \$12 million, respectively.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). The guidance in ASU 2013-02 requires an organization to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance in ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our results of operations or financial position because it only provides for enhanced disclosure requirements. Accordingly, we have included enhanced footnote disclosure for the quarter ended March 31, 2013 (see Note 9 - Accumulated Other Comprehensive Loss).

2) **ACQUISITIONS AND DIVESTITURES**

Acquisitions

On September 26, 2012, we announced that we entered into a Business Transfer Agreement (BTA) with Solaris ChemTech Industries Limited (Solaris ChemTech), an Indian Company, and Avantha Holdings Limited, an Indian Company and the parent company of Solaris ChemTech (collectively, Solaris). As provided in the BTA, we have agreed to purchase from Solaris certain assets used in the manufacture and distribution of bromine and bromine chemicals for cash consideration of \$142 million and the assumption of certain liabilities. The purchase price is subject to a post-closing net working capital adjustment. The acquisition is subject to usual and customary closing conditions and is expected to close as soon as practicable.

Divestitures

Antioxidant Divestiture

On November 9, 2012, we entered into an asset purchase agreement with SK Blue Holdings, Ltd. (SK), an affiliate of SK Capital Partners III, L.P. to sell substantially all the assets of our antioxidant and UV stabilizers (the Antioxidant) business for \$200 million, \$190 million to be paid in cash at closing plus a \$10 million seller note. The assets to be sold include, among others, trade receivables, inventory, our equity interest in two joint ventures, certain dedicated plants in the U.S., France and Germany, and certain dedicated assets in shared facilities and SK agreed to assume certain liabilities (the Antioxidant Sale). We will retain assets that are shared with our other business components that exist in certain locations globally and utilize those assets under supply agreements with SK.

On January 25, 2013, we entered into an Amended and Restated Asset Purchase and Contribution Agreement with SK and Addivant USA Holdings Corp. (Addivant) whereby SK and Addivant agreed, in addition to purchasing substantially all the assets of our Antioxidant business, to assume certain additional pension and environmental liabilities totaling approximately \$93 million. The agreement provides for the actuarial valuation of net pension liabilities to be assumed to be updated shortly before the closing of the transaction. To the extent the updated values are a reduction of the net pension liability, the difference will be applied to increase, by an equal amount, the value of the seller note to be issued at closing. To the extent the updated values are an increase in the net pension liability, the increase will be applied in equal amount first to reduce the value of the seller note and then if the seller note is extinguished, as a reduction to the cash consideration. Based on the January 25, 2013 terms, the consideration payable at closing of \$107 million will consist of \$97 million in cash, \$9 million in preferred stock to

Edgar Filing: Chemtura CORP - Form 10-Q

Table of Contents

be issued by Addivant and a seller note of \$1 million subject to customary closing conditions and adjustments for working capital changes. The transaction closed on April 30, 2013. We anticipate recording a non-cash loss during the second quarter of 2013 primarily related to the release of currency translation adjustments and accumulated other comprehensive loss (AOCL) related to the transfer of the pension obligations, among other items.

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

The following is a summary of our assets and liabilities of discontinued operations related to the Antioxidant business as of March 31, 2013 and December 31, 2012.

(In millions)	March 31, 2013		December 31, 2012	
Cash and cash equivalents	\$	1	\$	2
Accounts receivable		59		61
Inventories		75		78
Other current assets		3		4
Property, plant and equipment		44		44
Intangible assets, net		14		14
Other assets		32		31
Assets of discontinued operations	\$	228	\$	234
Accounts payable	\$	28	\$	29
Accrued expenses		5		4
Income taxes payable				1
Pension and post-retirement health care liabilities		80		80
Other liabilities		10		11
Liabilities of discontinued operations	\$	123	\$	125

Loss from discontinued operations for the quarters ended March 31, 2013 and 2012 consist of the following:

(In millions)	2013	Quarters ended March 31,		2012
Net sales	\$	90	\$	90
Pre-tax loss from discontinued operations	\$	(2)	\$	
Income tax benefit				
Loss from discontinued operations, net of taxes	\$	(2)	\$	

A portion of certain functional and other expenses that are managed company-wide that are allocated to the Antioxidant business do not transfer directly under the Antioxidant Sale. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under loss from discontinued operations, net of tax. These costs approximate \$4 million for the quarters ended March 31, 2013 and 2012.

Tetrabrom Joint Venture Divestiture

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

Table of Contents3) **RESTRUCTURING AND ASSET IMPAIRMENT ACTIVITIES****Restructuring**

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

On April 30, 2012, our Board approved a restructuring plan providing for, among other things, the closure of our Antioxidant business manufacturing facility in Pedrengo, Italy. The Board also approved actions to improve the operating effectiveness of certain global corporate functions. This plan is intended to achieve significant gains in efficiency and costs. The total cost of the restructuring plan was estimated to be approximately \$40 million of which approximately \$6 million will consist of non-cash charges.

During 2012, we recorded pre-tax charges of \$33 million which included \$4 million for accelerated depreciation of property, plant and equipment included in depreciation and amortization, \$2 million for accelerated asset retirement obligations included in cost of goods sold, \$12 million for severance and professional fees related to corporate initiatives, \$5 million for severance and other obligations related to the Pedrengo closure and \$10 million reflecting the write-off of a receivable for which collection is no longer probable as a result of these restructuring actions. We recorded an additional pre-tax charge of \$1 million in the quarter ended March 31, 2013, primarily for accelerated depreciation related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, due to the pending sale of our Antioxidants business. The Pedrengo plant ceased operations March 31, 2013 and asset retirement work has begun. We will retain this property after the sale of the Antioxidants business is complete and anticipate selling it after all retirement and remediation work is completed.

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

(In millions)	Severance and Related Costs	Other Facility Closure Costs	Total
Balance at December 31, 2012	\$ 8	\$ 0	\$ 8
2013 charge	11	3	14
Cash payments	(2)	(3)	(5)
Balance at March 31, 2013	\$ 17	\$ 0	\$ 17

At March 31, 2013 and December 31, 2012, the balance of these reserves were included in accrued expenses in our Consolidated Balance Sheet.

Asset Impairment Review

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

Table of Contents4) **INVENTORIES**

(In millions)	March 31, 2013		December 31, 2012	
Finished goods	\$	349	\$	320
Work in process		37		33
Raw materials and supplies		135		115
	\$	521	\$	468

Included in the above net inventory balances are inventory obsolescence reserves of approximately \$18 million and \$17 million at March 31, 2013 and December 31, 2012, respectively.

5) **PROPERTY, PLANT AND EQUIPMENT**

(In millions)	March 31, 2013		December 31, 2012	
Land and improvements	\$	71	\$	72
Buildings and improvements		222		223
Machinery and equipment		1,217		1,221
Information systems equipment		190		189
Furniture, fixtures and other		30		30
Construction in progress		140		111
		1,870		1,846
Less: accumulated depreciation		1,136		1,127
	\$	734	\$	719

Depreciation expense from continuing operations was \$23 million and \$21 million for the quarters ended March 31, 2013 and 2012, respectively.

6) **GOODWILL AND INTANGIBLE ASSETS**

Our goodwill balance was \$173 million at March 31, 2013 and \$177 million at December 31, 2012. The goodwill is allocated to the Industrial Performance Products segment. The goodwill balance at March 31, 2013 and December 31, 2012 reflected accumulated impairments of \$90 million.

We have elected to perform our annual goodwill impairment procedures for all of our reporting units in accordance with ASC Subtopic 350-20, *Intangibles - Goodwill and Other - Goodwill* (ASC 350-20) as of July 31, or sooner, if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We estimate the fair value of our reporting units utilizing income and market approaches through the application of discounted cash flow and market comparable methods (Level 3 inputs as described in

Edgar Filing: Chemtura CORP - Form 10-Q

Note 14 Financial Instruments and Fair Value Measurements). The assessment is required to be performed in two steps: step one to test for a potential impairment of goodwill and, if potential impairments are identified, step two to measure the impairment loss through a full fair valuing of the assets and liabilities of the reporting unit utilizing the acquisition method of accounting. We concluded that no goodwill impairment existed in any of our reporting units based on the annual review as of July 31, 2012.

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

Table of Contents

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

(In millions)	March 31, 2013			December 31, 2012		
	Gross Cost	Accumulated Amortization	Net Intangibles	Gross Cost	Accumulated Amortization	Net Intangibles
Patents	\$ 109	\$ (66)	\$ 43	\$ 110	\$ (66)	\$ 44
Trademarks	235	(70)	165	238	(68)	170
Customer relationships	129	(43)	86	130	(42)	88
Production rights	46	(34)	12	46	(32)	14
Other	73	(42)	31	74	(42)	32
Total	\$ 592	\$ (255)	\$ 337	\$ 598	\$ (250)	\$ 348

The decrease in gross intangible assets since December 31, 2012 is primarily due to foreign currency translation of \$8 million offset by additions of \$2 million.

Amortization expense from continuing operations related to intangible assets amounted to \$8 million for the quarters ended March 31, 2013 and 2012.

7) DEBT

Our debt is comprised of the following:

(In millions)	March 31, 2013	December 31, 2012
7.875% Senior Notes due 2018	\$ 453	\$ 452
Term Loan due 2016	418	418
Other borrowings	17	6
Total Debt	888	876
Less: Other short-term borrowings	(4)	(3)
Less: Current portion of Term Loan	(2)	(2)
Total Long-term debt	\$ 882	\$ 871

Financing Facilities

On August 27, 2010, we completed a private placement offering under Securities and Exchange Commission (SEC) Rule 144A of \$455 million aggregate principal amount of 7.875% senior notes due 2018 (the Senior Notes) at an issue price of 99.269% in reliance on an exemption pursuant to Section 4(2) of the Securities Act of 1933. We also entered into a senior secured term facility credit agreement due 2016 (the Term Loan) with Bank of America, N.A., as administrative agent, and other lenders party thereto for an aggregate principal amount of \$295 million

Edgar Filing: Chemtura CORP - Form 10-Q

with an original issue discount of 1%. The Term Loan permits us to increase the size of the facility by up to \$125 million. On October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed the additional \$125 million for the purpose of funding potential investment opportunities and for general corporate purposes. Accordingly, we recognized a \$1 million charge for the year ended December 31, 2012 for loss on early extinguishment of debt resulting from the write-off of deferred financing costs and miscellaneous fees. An additional \$1 million in arranger fees were written-off to interest expense for the year end December 31, 2012. On November 10, 2010, we entered into a five-year senior secured revolving credit facility available through 2015 (the ABL Facility) with Bank of America, N.A., as administrative agent and the other lenders party thereto for an amount up to \$275 million, subject to availability under a borrowing base (with a \$125 million letter of credit sub-facility). The ABL Facility permits us to increase the size of the facility by up to \$125 million subject to obtaining lender commitments to provide such increase.

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

Table of Contents

These facilities contain covenants that limit, among other things, our ability to enter into certain transactions, such as creating liens, incurring additional indebtedness or repaying certain indebtedness, making investments, paying dividends, and entering into acquisitions, dispositions and joint ventures. The Term Loan requires that we meet certain quarterly financial maintenance covenants including a maximum Secured Leverage Ratio (as defined in the agreement) of 2.5:1.0 and a minimum Consolidated Interest Coverage Ratio (as defined in the agreement) of 3.0:1.0. The ABL Facility contains a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio (as defined in the agreement) of 1.1 to 1.0 at all times during any period from the date when the amount available for borrowings under the ABL Facility falls below the greater of (i) \$34 million and (ii) 12.5% of the aggregate commitments until such date such available amount has been equal to or greater than the greater of (i) \$34 million and (ii) 12.5% of the aggregate commitments for 45 consecutive days. As of March 31, 2013, we were in compliance with the covenant requirements of these financing facilities.

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

In December 2012, we entered into a CNY 250 million (approximately \$40 million) 5 year secured credit facility available through December 2017 (the China Bank Facility) with Agricultural Bank of China, Nantong Branch (ABC Bank). The China Bank Facility will be used for funding construction of our manufacturing facility in Nantong, China. The China Bank Facility is secured by land, property and machinery of our subsidiary Chemtura Advanced Materials (Nantong) Co., Ltd. The loans under the China Bank Facility bear interest at a rate determined from time to time by ABC Bank base on the prevailing People Bank of China Lending Rate. At March 31, 2013, we had borrowings of \$5 million under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

Accounts Receivable Financing Facility

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

8) INCOME TAXES

We reported an income tax expense of \$8 million and an income tax benefit of \$1 million for the quarters ended March 31, 2013 and 2012, respectively. We have increased our U.S. net operating loss and associated valuation allowance for the first quarter of 2013 U.S. loss. We have offset our prior period year-to-date U.S. income with net operating loss carryforwards and reduced the associated valuation allowance. We will continue to adjust our tax provision through the establishment or reduction of non-cash valuation allowances until we determine that it is more-likely than not that the net deferred tax assets associated with our U.S. operations will be utilized.

Edgar Filing: Chemtura CORP - Form 10-Q

We have net liabilities related to unrecognized tax benefits of \$39 million and \$41 million at March 31, 2013 and December 31, 2012, respectively. The decrease is primarily due to currency fluctuation.

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

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

Table of Contents**9) ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

(in millions)	Foreign Currency Translation Adjustments	Unrecognized Pension and Other Post- Retirement Benefit Costs	Total
As of December 31, 2012	\$ 47	\$ (475)	\$ (428)
Other comprehensive loss before reclassifications	(23)	(7)	(30)
Amounts reclassified from AOCL		6	6
Net current period other comprehensive loss	(23)	(1)	(24)
As of March 31, 2013	\$ 24	\$ (476)	\$ (452)

The following table summarizes the reclassifications from AOCL to the Condensed Consolidated Statement of Operations for the quarter ended March 31, 2013:

(in millions)	Quarter Ended March 31, 2013 Amount Reclassified from AOCL	Affected line item in the consolidated statement of operations
Defined benefit pension plan items:		
Amortization of prior-service costs (a)	\$ 1	See Note (a)
Amortization of actuarial losses (a)	(7)	See Note (a)
Net of tax	\$ (6)	

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

10) EARNINGS PER COMMON SHARE

The computation of basic earnings per common share is based on the weighted average number of common shares outstanding. The computation of diluted earnings per common share is based on the weighted average number of common and common share equivalents outstanding. The computation of diluted earnings per common share equals the basic earnings per common share for the quarter ended March 31, 2013, since the common stock equivalents were anti-dilutive as a result of a loss from continuing operations. Common stock equivalents amounted to 1.4 million shares for the quarter ended March 31, 2013.

Edgar Filing: Chemtura CORP - Form 10-Q

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

(In millions)	Quarters ended March 31,	
	2013	2012
Weighted average shares outstanding - Basic	98.2	98.3
Dilutive effect of common share equivalents		0.8
Weighted average shares outstanding - Diluted	98.2	99.1

On October 18, 2011, we announced that our Board had authorized us to repurchase up to \$50 million of our common stock over the next twelve months. On July 31, 2012, our Board authorized an increase in our share repurchase program from \$50 million to up to \$100 million and extended the program through November 2013. The shares are expected to be repurchased from time to time through open market purchases. The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the Board's discretion. The manner, price, number and

Table of Contents

timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the Securities and Exchange Commission (SEC). There were no purchases during the quarter ended March 31, 2013. As of March 31, 2013, we had total re-purchases of 3.4 million shares for a cost of \$41 million under this program.

11) STOCK INCENTIVE PLANS

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

Stock-based compensation expense was \$5 million and \$7 million for the quarters ended March 31, 2013 and 2012, respectively. Stock-based compensation expense was primarily reported in SG&A.

Stock Option Plans

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

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

We use the Black-Scholes option-pricing model to determine the fair value of NQOs. We have elected to recognize compensation cost for awards of NQOs equally over the requisite service period for each separately vesting tranche, as if multiple awards were granted. Using this method, the weighted average per share fair value of stock options granted during the quarters ended March 31, 2013 and 2012 was \$9.92 and \$8.14, respectively.

Total remaining unrecognized compensation expense associated with unvested NQOs at March 31, 2013 was \$8 million, which will be recognized over the weighted average period of approximately 2 years.

Restricted Stock Units and Performance Shares

Edgar Filing: Chemtura CORP - Form 10-Q

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

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

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

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

Total remaining unrecognized compensation expense associated with unvested time-based RSUs and performance shares at March 31, 2013 was \$18 million, which will be recognized over the weighted average period of approximately 2 years.

Table of Contents**Employee Stock Purchase Plan**

In May 2012, our shareholders approved the Chemtura Corporation 2012 Employee Stock Purchase Plan (the "ESPP"). This plan permits eligible employees to annually elect to have up to 10% of their compensation withheld and applied to the purchase of shares of Chemtura's common stock. Purchases are made at the end of quarterly offering periods and are based on the lower of the fair market value of the shares on the first and last trading days during the offering period. The first offering period was for the calendar quarter ending September 30, 2012. A total of one million shares are authorized to be issued under the ESPP, including up to 0.1 million shares per offering period and 0.3 million shares per plan year. As of March 31, 2013, approximately 0.9 million shares are available for future issuance under this plan.

12) PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Components of our defined benefit plans net periodic benefit (credit) cost for the quarters ended March 31, 2013 and 2012 are as follows:

(In millions)	Qualified U.S. Plans		Defined Benefit Plans International and Non-Qualified Plans				Post-Retirement Health Care Plans	
	Quarters ended March 31, 2013	Quarters ended March 31, 2012	Quarters ended March 31, 2013	Quarters ended March 31, 2012	Quarters ended March 31, 2013	Quarters ended March 31, 2012	Quarters ended March 31, 2013	Quarters ended March 31, 2012
Service cost	\$	\$	\$	\$	\$	\$	\$	\$
Interest cost	10	11	5	5	1	1	1	1
Expected return on plan assets	(14)	(14)	(6)	(5)				
Amortization of prior service cost							(1)	(1)
Amortization of actuarial losses	5	4	1				1	1
Net periodic benefit cost	\$	\$	\$	\$	\$	\$	\$	\$

We contributed \$1 million to our U.S. non-qualified pension plans and \$1 million to our international pension plans for the quarter ended March 31, 2013. Contributions to post-retirement health care plans for the quarter ended March 31, 2013 were \$3 million.

On November 18, 2009, the Bankruptcy Court entered an order (the "2009 OPEB Order") approving, in part, our motion (the "2009 OPEB Motion") requesting authorization to modify certain post-retirement welfare benefits (the "OPEB Benefits") under our post-retirement welfare benefit plans (the "OPEB Plans"), including the OPEB Benefits of certain Uniroyal salaried retirees (the "Uniroyal Salaried Retirees"). On April 5, 2010, the Bankruptcy Court entered an order denying the Uniroyal Salaried Retirees' motion to reconsider the 2009 OPEB Order based, among other things, on the Uniroyal Salaried Retirees' failure to file a timely objection to the 2009 OPEB Motion. On April 8, 2010, the Uniroyal Salaried Retirees appealed the Bankruptcy Court's April 5, 2010 order and on April 14, 2010, sought a stay pending their appeal (the "Stay") of the 2009 OPEB Order as to our right to modify the OPEB Benefits. On April 21, 2010, the Bankruptcy Court ordered us not to modify the Uniroyal Salaried Retirees' OPEB Benefits pending a hearing and decision as to the Stay. After consulting with the official committees of unsecured creditors and equity security holders, we requested that the Bankruptcy Court have a hearing to decide, as a matter of law, whether we have the right to modify the OPEB Benefits of the Uniroyal Salaried Retirees as requested in the 2009 OPEB Motion. In November 2011, we reached an agreement in principle with a steering committee of the Uniroyal Salaried Retirees resolving all disputes concerning the 2009 OPEB Motion. On February 21, 2012, we filed a motion with the Bankruptcy Court seeking approval of a settlement stipulation with the steering committee of the Uniroyal Salaried Retirees based upon the prior agreement in principle and authorizing us to implement changes to the OPEB Benefits of all Uniroyal Salaried Retirees based upon the settlement stipulation and as a partial grant of the relief requested in the 2009 OPEB Motion. The

Edgar Filing: Chemtura CORP - Form 10-Q

Bankruptcy Court approved the motion at a hearing held on March 29, 2012. The changes were communicated to the participants in May 2012. The impact of the change was an \$8 million increase to the projected benefit obligation, which we recorded in the second quarter of 2012 as an increase to the pension and post-retirement healthcare liabilities, with an offset to AOCL on our Consolidated Balance Sheet at December 31, 2012.

On May 9, 2011, one of our UK subsidiaries entered into definitive agreements with the trustees of the Great Lakes U.K. Limited Pension Plan (the UK Pension Plan) over the terms of a recovery plan which provided for a series of additional cash contributions to be made to reduce the underfunding over time. The agreements provided, among other things, for our UK subsidiary to make cash contributions of £60 million (approximately \$96 million) in just over a three year period, with the initial contribution of £30 million (\$49 million) made in the second quarter of 2011 and the second contribution of £15 million (\$24 million) made in the second quarter of 2012. The next contribution of £8 million (\$12 million) is expected to be made in the second quarter of 2013. The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

Table of Contents

There is also an evaluation being undertaken as to whether additional benefit obligations exist in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. Based on the results of the evaluation to date, \$8 million of expense was recorded in the fourth quarter of 2011, which may be subject to adjustment as further information is gathered as part of the evaluation. Upon completion of the evaluation and the finalization of the liability with respect to additional benefit obligations, additional cash contributions to the UK Pension Plan may be required starting in 2013. There were no changes resulting from the evaluation during the first quarter of 2013.

13) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

In April 2012, we purchased two forward contracts with a notional amount totaling \$25 million to reduce the risk of currency exposure related to the remaining two annual installments of proceeds from the sale of our 50% interest in Tetrabrom Technologies Ltd. in 2011. We use fair value accounting methods for these contracts and have recorded a loss of \$1 million reflecting the changes in the fair market value of these contracts in other income, net in our Consolidated Statement of Operations for the quarter ended March 31, 2013. The resulting net liability of the changes in fair market value of these contracts of \$1 million has been accounted for in other current assets and other assets in our Consolidated Balance Sheet.

During the first quarter of 2013, we entered into a zero cost collar contract and an additional forward contract to reduce the risk of currency exposure related to the Euro in one of our consolidated subsidiaries. These contracts mature at various times during the second quarter of 2013. We use fair value accounting methods for these contracts and have recorded a gain of \$3 million reflecting the changes in fair market value of these contracts in other income, net in our Consolidated Statement of Operations for the quarter ended March 31, 2013. The resulting net asset of the changes in fair market value of these contracts of \$3 million has been accounted for in other current assets in our Consolidated Balance Sheet as of March 31, 2013.

14) FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Instruments

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

market values.

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

(In millions)	As of March 31, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ 888	\$ 935	\$ 876	\$ 920

Fair Value Measurements

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

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Table of Contents

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

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

Level 2 fair value measurements are used to value our financial instruments subject to foreign currency exchange risk (see Note 13 Derivative Instruments and Hedging Activities.) For the three months ended March 31, 2013, there were no transfers into or out of Levels 1 and 2.

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

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

15) ASSET RETIREMENT OBLIGATIONS

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

Our asset retirement obligations include estimates for all asset retirement obligations identified for our worldwide facilities. Our asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases at approximately 20 facilities; legal obligations to close approximately 90 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 30 of our manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarters ended March 31, 2013 and 2012 and the net book value of assets related to the asset retirement obligations at March 31, 2013 and 2012:

Edgar Filing: Chemtura CORP - Form 10-Q

(In millions)	Quarters ended March 31,			
		2013		2012
Asset retirement obligation balance at beginning of period	\$	20	\$	21
Payments		(1)		(1)
Asset retirement obligation balance at end of period	\$	19	\$	20
Net book value of asset retirement obligation assets at end of period	\$		\$	1

Depreciation expense for the quarters ended March 31, 2013 and 2012 was less than \$1 million.

At March 31, 2013 and December 31, 2012, \$5 million and \$6 million, respectively of asset retirement obligations were included in accrued expenses and \$14 million were included in other liabilities in our Consolidated Balance Sheet.

16) EMERGENCE FROM CHAPTER 11

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

Table of Contents

11 of the United States Code (Chapter 11) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).

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

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

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

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

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

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

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

Edgar Filing: Chemtura CORP - Form 10-Q

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

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

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

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

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

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

Table of Contents

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

As of March 31, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors' Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

Reorganization items, net was less than \$1 million for the quarter ended March 31, 2013. Reorganization items, net was \$2 million for the quarter ended March 31, 2012, which included \$1 million for professional fees and \$1 million for claim settlements. Claim settlements represent the difference between the settlement amount of certain pre-petition obligations (which for obligations settled in common stock are based on the fair value of our stock at the issuance date) and the corresponding carrying value of the recorded liabilities.

17) LEGAL PROCEEDINGS AND CONTINGENCIES

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

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

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

Prepetition Litigation and Claims Discharged Under the Plan

Chapter 11 Plan and Establishment of Claims Reserves

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

Edgar Filing: Chemtura CORP - Form 10-Q

November 10, 2010.

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

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

Table of Contents

Litigation and Claims Not Discharged Under the Plan

Environmental Liabilities

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

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), and comparable state statutes impose strict liability upon various classes of persons with respect to the costs associated with the investigation and remediation of waste disposal sites. Such persons are typically referred to as Potentially Responsible Parties or PRPs. Chemtura and several of our subsidiaries have been identified by federal, state or local governmental agencies or by other PRPs, as a PRP at various locations in the United States. Because in certain circumstances these laws have been construed to authorize the imposition of joint and several liability, the Environmental Protection Agency (EPA) and comparable state agencies could seek to recover all costs involving a waste disposal site from any one of the PRPs for such site, including Chemtura, despite the involvement of other PRPs. In many cases, we are one of a large number of PRPs with respect to a site. In a few instances, we are the sole or one of only a handful of PRPs performing investigation and remediation. Where other financially responsible PRPs are involved, we expect that any ultimate liability resulting from such matters will be apportioned between us and such other parties. In addition, we are involved with environmental remediation and compliance activities at some of our current and former sites in the United States and abroad.

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

On September 17, 2012, our subsidiary Great Lakes Chemical Corporation received an enforcement notice from the United States Department of Justice acting on behalf of the Environmental Protection Agency (EPA) which has alleged violations of a National Pollution Discharge Elimination System Permit issued under the Clean Water Act in conjunction with its facility in El Dorado, Arkansas. The EPA is seeking injunctive relief and civil penalties. While the calculated penalty is approximately \$5 million, we believe the matter will be settled for an amount significantly lower than the calculated penalty and will not have a material effect.

The total amount accrued for environmental liabilities as of March 31, 2013 and December 31, 2012 was \$100 million and \$84 million, respectively. At March 31, 2013 and December 31, 2012, \$22 million and \$15 million, respectively, of these environmental liabilities were reflected as accrued expenses and \$78 million and \$69 million, respectively, were reflected as other liabilities. We estimate that the reasonably possible ongoing environmental liabilities could range up to \$116 million at March 31, 2013. Our accruals for environmental liabilities include estimates for determinable clean-up costs. We recorded pre-tax charges of \$20 million for the quarter ended March 31, 2013 which included a \$21 million charge related to a legacy non-operating site in France, and made payments of \$3 million during the quarter ended March 31, 2013 for clean-up costs, which reduced our environmental liabilities. At certain sites, we have contractual agreements with certain other parties to share remediation costs. As of March 31, 2013, no receivables are outstanding related to these agreements. At a number of these sites, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable. We intend to assert all

Edgar Filing: Chemtura CORP - Form 10-Q

meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. However, the final cost of clean-up at these sites could exceed our present estimates, and could have, individually or in the aggregate, a material adverse effect on our financial condition, results of operations, or cash flows. Our estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, current laws and regulations be modified or additional environmental laws and regulations be enacted, and as negotiations with respect to certain sites.

Other

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

Table of Contents

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

Guarantees

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

We have applied the disclosure provisions of ASC Topic 460, *Guarantees* (ASC 460), to our agreements that contain guarantee or indemnification clauses. We are a party to several agreements pursuant to which we may be obligated to indemnify a third party with respect to certain loan obligations of joint venture companies in which we have an equity interest. These obligations arose to provide initial financing for a joint venture start-up, fund an acquisition and/or provide project capital. Such obligations mature through May 2016. In the event that any of the joint venture companies were to default on these loan obligations, we would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At March 31, 2013 and December 31, 2012, the maximum potential future principal and interest payments due under these guarantees were \$3 million. In accordance with ASC 460, we have accrued less than \$1 million in reserves, which represents the probability weighted fair value of these guarantees at March 31, 2013 and December 31, 2012. The reserve has been included in other liabilities on our Consolidated Balance Sheet at March 31, 2013 and December 31, 2012 with an offset to the investment included in other assets.

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

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

18) BUSINESS SEGMENT DATA

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

Industrial Performance Products

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

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

Industrial Engineered Products

Industrial Engineered Products are chemical additives designed to improve the performance of polymers in their end-use applications. Industrial Engineered Products include brominated performance products, flame retardants, fumigants and organometallics. The products are sold across the entire value chain ranging from direct sales to monomer producers, polymer

Table of Contents

manufacturers, compounders and fabricators, fine chemical manufacturers, utilities, pharmaceutical manufactures and oilfield service companies to industry distributors.

Consumer Products

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

Chemtura AgroSolutions

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

General Corporate Expense and Other Charges

General corporate expense includes costs and expenses that are of a general corporate nature or managed on a corporate basis. These costs (net of allocations to the business segments) primarily represent corporate stewardship and administration activities together with costs associated with legacy activities and intangible asset amortization. Functional costs are allocated between the business segments and general corporate expense. Certain functional and other expenses that are managed company-wide that were allocated to the Antioxidant business do not transfer directly under the Antioxidant Sale. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under loss from discontinued operations, net of tax. These costs approximate \$4 million for the quarters ended March 31, 2013 and 2012. Facility closures, severance and related costs are primarily for severance costs related to our cost savings initiatives. Change in estimates related to expected allowable claims relates to adjustments to resolve disputed claims.

A summary of business data for our reportable segments for the quarters ended March 31, 2013 and 2012 are as follows:

(In millions)	Quarters ended March 31,	
	2013	2012
Net Sales		
Petroleum additives	\$ 169	\$ 150
Urethanes	72	73
Industrial Performance Products	241	223
Bromine based & related products	159	183

Edgar Filing: Chemtura CORP - Form 10-Q

Organometallics		40		43
Industrial Engineered Products		199		226
Consumer Products		78		84
Chemtura AgroSolutions		88		85
Total net sales	\$	606	\$	618

Table of Contents

(In millions)	Quarters ended March 31,	
	2013	2012
Operating Income		
Industrial Performance Products	\$ 29	\$ 26
Industrial Engineered Products	20	44
Consumer Products	(2)	(5)
Chemtura AgroSolutions	13	10
	60	75
General corporate expense, including amortization	(46)	(33)
Facility closures, severance and related costs	(14)	
Changes in estimates related to expected allowable claims		(2)
Total operating income	\$	\$ 40

Table of Contents**19) GUARANTOR CONDENSED CONSOLIDATING FINANCIAL DATA**

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

Condensed Consolidating Statement of Operations**Quarter ended March 31, 2013***(In millions)*

	Consolidated		Eliminations		Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries	
	\$	606	\$	(417)	\$	365	\$	159	\$	499
Net sales	\$	606	\$	(417)	\$	365	\$	159	\$	499
Cost of goods sold		480		(417)		297		137		463
Selling, general and administrative		70				31		11		28
Depreciation and amortization		31				7		13		11
Research and development		9				3		2		4
Facility closures, severance and related costs		14				6				8
Equity loss		2								2
Operating income (loss)						21		(4)		(17)
Interest expense		(16)				(17)				1
Other income, net		3				1				2
Equity in net loss of subsidiaries				25		(25)				
Loss from continuing operations before income taxes		(13)		25		(20)		(4)		(14)
Income tax expense		(8)				(1)				(7)
Loss from continuing operations		(21)		25		(21)		(4)		(21)
Loss from discontinued operations, net of tax		(2)				(2)				
Net loss attributable to Chemtura	\$	(23)	\$	25	\$	(23)	\$	(4)	\$	(21)

Condensed Consolidating Statement of Comprehensive Loss**Quarter ended March 31, 2013***(in millions)*

Edgar Filing: Chemtura CORP - Form 10-Q

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Net loss	\$ (23)	\$ 25	\$ (23)	\$ (4)	\$ (21)
Other comprehensive loss, net of tax					
Foreign currency translation adjustments	(23)		14	(2)	(35)
Unrecognized pension and other post-retirement benefit costs	(1)		1		(2)
Comprehensive loss attributable to Chemtura	\$ (47)	\$ 25	\$ (8)	\$ (6)	\$ (58)

Table of Contents**Condensed Consolidating Balance Sheet**

As of March 31, 2013

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
ASSETS					
Current assets	\$ 1,614	\$	\$ 464	\$ 259	\$ 891
Intercompany receivables		(9,414)	3,715	3,208	2,491
Investment in subsidiaries		(8,623)	1,661	1,633	5,329
Property, plant and equipment	734		123	279	332
Goodwill	173		92	3	78
Other assets	503		132	168	203
Total assets	\$ 3,024	\$ (18,037)	\$ 6,187	\$ 5,550	\$ 9,324
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities	\$ 544	\$	\$ 212	\$ 80	\$ 252
Intercompany payables		(9,414)	3,787	3,487	2,140
Long-term debt	882		876		6
Other long-term liabilities	572		286	57	229
Total liabilities	1,998	(9,414)	5,161	3,624	2,627
Stockholders' equity	1,026	(8,623)	1,026	1,926	6,697
Total liabilities and stockholders' equity	\$ 3,024	\$ (18,037)	\$ 6,187	\$ 5,550	\$ 9,324

Table of Contents**Condensed Consolidating Statement of Cash Flows****Quarter ended March 31, 2013***(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	\$ (23)	\$ 25	\$ (23)	\$ (4)	\$ (21)
Adjustments to reconcile net loss to net cash (used in) provided by operations:					
Depreciation and amortization	32		7	13	12
Stock-based compensation expense	5		5		
Changes in assets and liabilities, net	(89)	(25)	(67)	3	
Net cash (used in) provided by operations	(75)		(78)	12	(9)
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(49)		(3)	(12)	(34)
Net cash used in investing activities	(49)		(3)	(12)	(34)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from other long-term borrowings	13		7		6
Payments on other long-term borrowings	(1)				(1)
Proceeds from the exercise of stock options	1		1		
Net cash provided by financing activities	13		8		5
CASH AND CASH EQUIVALENTS					
Effect of exchange rates on cash and cash equivalents	(2)				(2)
Change in cash and cash equivalents	(113)		(73)		(40)
Cash and cash equivalents at beginning of period	365		193		172
Cash and cash equivalents at end of period	\$ 252	\$	\$ 120	\$	\$ 132

Table of Contents**Condensed Consolidating Statement of Operations****Quarter ended March 31, 2012***(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Net sales	\$ 618	\$ (429)	\$ 367	\$ 164	\$ 516
Cost of goods sold	455	(429)	288	144	452
Selling, general and administrative	79		29	11	39
Depreciation and amortization	29		7	12	10
Research and development	12		5	2	5
Change in estimates related to expected allowable claims	2		2		
Equity loss	1				1
Operating income (loss)	40		36	(5)	9
Interest expense	(14)		(17)	1	2
Other expense, net	(3)		(3)		
Reorganization items, net	(2)		(2)		
Equity in net earnings of subsidiaries		(5)	5		
Earnings (loss) before income taxes	21	(5)	19	(4)	11
Income tax benefit	1				1
Earnings (loss) from continuing operations	22	(5)	19	(4)	12
Earnings (loss) from discontinued operations, net of tax			3		(3)
Net earnings (loss) attributable to Chemtura	\$ 22	\$ (5)	\$ 22	\$ (4)	\$ 9

Condensed Consolidating Statement of Comprehensive Income (Loss)**Quarter ended March 31, 2012***(In millions)*

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
Net earnings (loss)	\$ 22	\$ (5)	\$ 22	\$ (4)	\$ 9
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments	22		(13)	2	33
Unrecognized pension and other post-retirement benefit costs	2		2		
Comprehensive income (loss) attributable to Chemtura	\$ 46	\$ (5)	\$ 11	\$ (2)	\$ 42

Table of Contents**Condensed Consolidating Balance Sheet**

As of December 31, 2012

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries
ASSETS					
Current assets	\$ 1,612	\$	\$ 505	\$ 213	\$ 894
Intercompany receivables		(9,412)	3,531	3,065	2,816
Investment in subsidiaries		(8,831)	1,738	1,633	5,460
Property, plant and equipment	719		127	277	315
Goodwill	177		92	3	82
Other assets	522		131	171	220
Total assets	\$ 3,030	\$ (18,243)	\$ 6,124	\$ 5,362	\$ 9,787
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities	\$ 511	\$	\$ 210	\$ 69	\$ 232
Intercompany payables		(9,412)	3,676	3,305	2,431
Long-term debt	871		870		1
Other long-term liabilities	580		300	56	224
Total liabilities	1,962	(9,412)	5,056	3,430	2,888
Stockholders' equity	1,068	(8,831)	1,068	1,932	6,899
Total liabilities and stockholders' equity	\$ 3,030	\$ (18,243)	\$ 6,124	\$ 5,362	\$ 9,787

Table of Contents**Condensed Consolidating Statement of Cash Flows**

Quarter ended March 31, 2012

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
<u>Increase (decrease) to cash</u>					
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings (loss)	\$ 22	\$ (5)	\$ 22	\$ (4)	\$ 9
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by operations:					
Impairment charges	1				1
Depreciation and amortization	33		9	12	12
Stock-based compensation expense	7		7		
Reorganization items, net	1		1		
Changes in estimates related to expected allowable claims	2		2		
Equity income	(1)				(1)
Changes in assets and liabilities, net	(154)	5	(123)	2	(38)
Net cash (used in) provided by operations	(89)		(82)	10	(17)
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(29)		(9)	(10)	(10)
Net cash used in investing activities	(29)		(9)	(10)	(10)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from ABL Facility, net	59		59		
Payments on other short-term borrowings, net	(1)				(1)
Net cash provided by (used in) financing activities	58		59		(1)
CASH AND CASH EQUIVALENTS					
Effect of exchange rates on cash and cash equivalents	2				2
Change in cash and cash equivalents	(58)		(32)		(26)
Cash and cash equivalents at beginning of period	180		35		145
Cash and cash equivalents at end of period	\$ 122	\$	\$ 3	\$	\$ 119

Table of Contents

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements included in Item 1 of this Form 10-Q.

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements. See forward-looking statements for a discussion of certain risks, assumptions and uncertainties associated with these statements.

OUR BUSINESS

We are among the larger publicly traded specialty chemical companies in the United States. We are dedicated to delivering innovative, application-focused specialty chemical solutions and consumer products. We operate in a wide variety of end-use industries, including agriculture, automotive, building and construction, electronics, lubricants, packaging, pool and spa chemicals and transportation. The majority 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 agrochemical and consumer products are sold to dealers, distributors and major retailers. We are a leader in many of our key product lines and transact business in more than 100 countries.

The primary economic factors that influence the operations and sales of our Industrial Performance Products (Industrial Performance) and Industrial Engineered Products (Industrial Engineered) segments (collectively referred to as Industrials) are industrial, electronic component and polymer production, residential and commercial construction. In addition, our Chemtura AgroSolutions segment is influenced by worldwide weather, disease and pest infestation conditions. Our Consumer Products segment is influenced by general economic conditions impacting consumer spending and weather conditions.

Other factors affecting our financial performance include industry capacity, customer demand, raw material and energy costs, and selling prices. Selling prices are influenced by the global demand and supply for the products we produce. We pursue selling prices that reflect the value our products deliver to our customers, while seeking to pass on higher costs for raw material and energy to preserve our profit margins.

FIRST QUARTER RESULTS

Overview

Consolidated net sales for the first quarter of 2013 were \$606 million or \$12 million lower than the first quarter of 2012 driven by overall lower sales volume. Our Industrial Performance Products segment reported a \$12 million increase in sales volume from our petroleum additives and certain synthetic products which was offset, in part, by continued weakness in urethane product sales in Europe and Asia. Our Industrial

Edgar Filing: Chemtura CORP - Form 10-Q

Engineered Products segment experienced a reduction in demand for insulated foam application products coupled with the lower demand for electronics products resulting in a \$19 million decline in sales volume in the first quarter of 2013 compared with the first quarter of 2012. Consumer Products segment sales volume declined \$5 million as the result of a slow start to the 2013 season in the northern hemisphere due to a prolonged winter while our Chemtura AgroSolutions segment showed a \$1 million increase in sales volume. We experienced a \$2 million overall increase in selling prices across our portfolio which was offset by the unfavorable effect of foreign currency translation of \$3 million.

Gross profit for the first quarter of 2013 was \$126 million, a decrease of \$37 million compared with the first quarter of 2012. Gross profit as a percentage of net sales decreased to 21% for the first quarter of 2013 as compared with 26% for the first quarter of 2012. Gross profit was impacted by a \$21 million increase in an environmental reserve in 2013 for the costs to remediate a legacy non-operating site in France, \$12 million from the lower sales volumes and product mix changes, \$3 million in unfavorable manufacturing costs and variances, \$2 million in higher raw material costs and a \$1 million increase in other costs, only partially offset by the \$2 million in higher selling prices.

Selling, general and administrative (SG&A) expenses of \$70 million were \$9 million lower than the first quarter of 2012, primarily the result of lower staff count and associated benefits related to our restructuring initiatives in 2012 and 2013.

Depreciation and amortization expense of \$31 million was \$2 million higher than the first quarter of 2012.

Research and development expense (R&D) of \$9 million was \$3 million lower than the first quarter of 2012.

Table of Contents

Facility closures, severance and related costs were \$14 million in the first quarter of 2013. During the first quarter of 2013 the Board of Directors (the Board) approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. The \$14 million expense primarily relates to the cost of severance associated with this program.

Other income, net was \$3 million in the first quarter of 2013 compared to other expense, net of \$3 million for the first quarter of 2012. The change is primarily the result of net foreign currency gains in 2013 compared with net foreign currency losses in 2012. In 2013, we entered into two foreign currency instruments which enabled us to offset some of the foreign currency exposure of the Euro during the first quarter of 2013.

The income tax expense in the first quarter of 2013 was \$8 million compared with a benefit of \$1 million in the first quarter of 2012. The tax expense reported in the first quarter of 2013 arose from fluctuations in profitability in international jurisdictions and the accrual of severance expense associated with our restructuring actions. The tax benefit reported in the first quarter of 2012 primarily related to adjustments for prior years taxes in various foreign subsidiaries. We have increased our U.S. net operating loss and associated valuation allowance for the first quarter of 2013 U.S. loss. We have offset our prior period year-to-date U.S. taxable income with net operating loss carryforwards and reduced the associated valuation allowance.

Net loss from continuing operations attributable to Chemtura for the first quarter of 2013 was \$21 million, or \$0.21 per share as compared with net earnings from continuing operations attributable to Chemtura of \$22 million, or \$0.22 per share for the first quarter of 2012.

Loss from discontinued operations, net of tax attributable to Chemtura for the first quarter of 2013 was \$2 million, or \$0.02 per share. Discontinued operations represents the Antioxidant business.

The following is a discussion of the results of our segments for the first quarter ended March 31, 2013.

Industrial Performance Products

Our Industrial Performance segment reported an increase in operating income for the first quarter of 2013, compared with the same quarter of 2012. Sales volume increased due to improved demand for our petroleum additives and certain synthetic lubricant products. Sales volume of urethane products in Europe and Asia continue to be effected by weak demand due to market conditions. Selling price increases offset raw material cost changes while manufacturing costs overall remained comparable to the first quarter of 2012.

Net sales totaled \$241 million in the first quarter of 2013, an increase of \$18 million compared with last year. The increase reflected an increase in sales volume totaling \$12 million and higher selling prices of \$6 million.

Edgar Filing: Chemtura CORP - Form 10-Q

Operating income totaled \$29 million in the first quarter of 2013, an increase of \$3 million compared with last year. Operating income benefited from the higher selling prices, offset by unfavorable changes in product mix and other costs of \$3 million.

Industrial Engineered Products

Our Industrial Engineered segment reported lower operating income for the first quarter of 2013, primarily the result of lower sales volumes and selling prices in certain electronic and insulation foam applications. Demand for electronic applications, tin-based organometallics and brominated flame retardants used in electronics and insulation foam applications was weak in the current quarter. Sales of organometallics products used in polyolefin polymerization catalysts increased, led by North America but was offset in part by lower European sales to Asian customers due to competitive pressures. However, some of this weakness was offset by stronger demand from oilfield and other industrial applications. We did not see a similar re-stocking benefit from flame retardants used in electronics applications that we saw in March of last year, although electronic demand was moderately stronger than the fourth quarter of 2012. This current level of demand has led to some pressure on price in the Asia Pacific region. We experienced unfavorable manufacturing absorption variances in certain product lines due to lower production volumes compared with the first quarter of 2012.

Net sales decreased by \$27 million to \$199 million for the first quarter of 2013 reflecting a \$19 million decrease in sales volumes, \$7 million in lower selling prices and \$1 million from unfavorable foreign currency translation.

Operating income of \$20 million in the first quarter of 2013 was \$24 million lower than the first quarter of 2012. The decrease in operating income reflected the lower selling prices, a \$6 million decrease in sales volume and product mix changes, \$4 million in unfavorable manufacturing costs and variances, \$3 million in higher raw material costs and a \$4 million increase in other costs.

Table of Contents

Consumer Products

Our Consumer Products segment reduced its operating loss in the first quarter of 2013 compared to the loss in the first quarter of 2012, despite slightly lower sales in 2013. Sales volume was slightly lower than in the prior year primarily in North America and Europe due to a slow start to the spring pool season caused by a prolonged winter. Our margins benefited from lower raw material and manufacturing costs together with a continued reduction in SG&A and R&D (collectively SGA&R) spending.

Net sales decreased by \$6 million to \$78 million for the first quarter of 2013 compared to the same quarter in 2012 reflecting a \$5 million decrease in sales volume and \$1 million in lower selling prices.

The operating loss decreased by \$3 million to \$2 million in the first quarter of 2013 compared with a loss of \$5 million in the first quarter of 2012, reflecting a \$2 million reduction in manufacturing costs, \$2 million in lower SGA&R costs, a \$2 million reduction in raw material costs and a \$3 million decrease in other costs, offset by a \$5 million impact from lower sales volume and unfavorable product mix and the slightly lower selling prices.

Chemtura AgroSolutions

Our Chemtura AgroSolutions segment generated higher net sales and operating income for the first quarter of 2013 compared with the same quarter in 2012. Increases in sales volume in North and Latin Americas was partly offset by lower sales volumes in Europe and China as the prolonged winter drove a slower start to the growing season. Operating income reflected the benefit of an increase in selling prices coupled with continued focus on SGA&R spending and lower bad debt expense than in the prior year.

Net sales increased by \$3 million to \$88 million for the first quarter of 2013 from \$85 million in the same quarter of 2012. The increase reflected \$4 million in higher selling prices and \$1 million in higher sales volume partly offset by \$2 million of unfavorable foreign currency translation.

Operating income increased \$3 million to \$13 million in the first quarter of 2013 compared with \$10 million in the first quarter of 2012, reflecting \$5 million in lower SGA&R costs and the higher selling prices, offset in part by unfavorable product mix and higher manufacturing costs.

General Corporate

Included in general corporate expenses are costs of a general nature or managed on a corporate basis. These costs, net of allocations to the business segments, primarily represent corporate stewardship and administration activities together with costs associated with legacy activities

Edgar Filing: Chemtura CORP - Form 10-Q

and intangible asset amortization. Functional costs are allocated between the business segments and general corporate expense.

Corporate expense was \$46 million in the first quarter of 2013, which included \$7 million of amortization expense related to intangible assets. In comparison, corporate expense was \$33 million in the first quarter of 2012, which included \$8 million of amortization expense related to intangible assets. The increase was primarily due to an \$21 million increase in 2013 in an environmental reserve for the costs to remediate a legacy non-operating site in France. Following a detailed engineering study, we received estimates of the costs of what will be a multi-year program to remediate the site to the standards required by the regulatory authorities. Depending upon when the next phase of remediation commences, we may incur up to \$5 million of cash expense against this reserve in 2013. The increase was partially offset by lower costs associated with employee incentive programs and benefits.

Certain functional and other expenses that are managed company-wide are allocated to our segments. The portion of such costs allocated to the Antioxidant business do not transfer directly under the Antioxidant Sale and are anticipated to be eliminated in 2013. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under loss from discontinued operations, net of tax. These costs approximate \$4 million for the quarters ended March 31, 2013 and 2012.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Emergence from Chapter 11

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

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

On November 3, 2010, the Bankruptcy Court entered an order confirming the Debtors' plan of reorganization (the *Plan*). On November 10, 2010 (the *Effective Date*), the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective. As of March 31, 2013, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors' Chapter 11 cases except the Chapter 11 case of Chemtura Corporation.

For further discussion of the Chapter 11 cases, see Note 16 - Emergence from Chapter 11 in our Notes to Consolidated Financial Statements.

Financing Facilities

On August 27, 2010, we completed a private placement offering under Rule 144A of \$455 million aggregate principal amount of 7.875% senior notes due 2018 (the *Senior Notes*) at an issue price of 99.269% in reliance on an exemption pursuant to Section 4(2) of the Securities Act of 1933. We also entered into a senior secured term facility credit agreement due 2016 (the *Term Loan*) with Bank of America, N.A., as administrative agent, and other lenders party thereto for an aggregate principal amount of \$295 million with an original issue discount of 1%. The Term Loan permits us to increase the size of the facility by up to \$125 million. On October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed the additional principle of \$125 million for the purpose of funding potential investment opportunities and for general corporate purposes. On November 10, 2010, we entered into a five-year senior secured revolving credit facility available through 2015 (the *ABL Facility*) for an amount up to \$275 million, subject to availability under a borrowing base (with a \$125 million letter of credit sub-facility). The ABL Facility permits us to increase the size of the facility by up to \$125 million subject to obtaining lender commitments to provide such increase. At March 31, 2013, we had no borrowings under the ABL Facility and \$15 million of outstanding letters of credit (primarily related to insurance obligations, environmental obligations and banking credit facilities) which utilizes available capacity under the facility. At March 31, 2013, we had approximately \$260 million of undrawn availability under the ABL Facility.

Edgar Filing: Chemtura CORP - Form 10-Q

These facilities contain covenants that limit, among other things, our ability to enter into certain transactions, such as creating liens, incurring additional indebtedness or repaying certain indebtedness, making investments, paying dividends, and entering into acquisitions, dispositions and joint ventures. The Term Loan requires that we meet certain quarterly financial maintenance covenants including a maximum Secured Leverage Ratio (as defined in the agreement) of 2.5:1.0 and a minimum Consolidated Interest Coverage Ratio (as defined in the agreement) of 3.0:1.0. The ABL Facility contains a springing financial covenant requiring a minimum trailing 12-month fixed charge coverage ratio of 1.1 to 1.0 at all times during any period from the date when the amount available for borrowings under the ABL Facility falls below the greater of (i) \$34 million and (ii) 12.5% of the aggregate commitments until such date such available amount has been equal to or greater than the greater of (i) \$34 million and (ii) 12.5% of the aggregate commitments for 45 consecutive days. As of March 31, 2013, we were in compliance with the covenant requirements of these financing facilities.

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

In December 2012, we entered into a CNY 250 million (approximately \$40 million) 5 year secured credit facility available through December 2017 (the China Bank Facility) with Agricultural Bank of China, Nantong Branch (ABC Bank). The China Bank Facility will be used for funding construction of our manufacturing facility in Nantong, China. The China Bank Facility is secured by land, property and machinery of our subsidiary Chemtura Advanced Materials (Nantong) Co., Ltd. At March 31, 2013, we had borrowings of \$5 million under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

For further discussion of the financing facilities, see Note 7 Debt in our Notes to Consolidated Financial Statements.

Table of Contents

Share Repurchase Program

On October 18, 2011, we announced that our Board of Directors (the Board) had authorized us to repurchase up to \$50 million of our common stock over the next twelve months. On July 31, 2012, our Board authorized an increase in our share repurchase program from \$50 million to up to \$100 million and extended the program through November 2013. The shares are expected to be repurchased from time to time through open market purchases. The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the Board's discretion. The manner, price, number and timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the Securities and Exchange Commission (SEC). There were no purchases during the quarter ended March 31, 2013. As of March 31, 2013, we had total re-purchases of 3.4 million shares at a cost of \$41 million under this program.

Divestitures

Antioxidant Divestiture

On November 9, 2012, we entered into an asset purchase agreement with SK Blue Holdings, Ltd. (SK), an affiliate of SK Capital Partners III, L.P. to sell substantially all the assets of our antioxidant and UV stabilizers (the Antioxidant) business for \$200 million, \$190 million to be paid in cash at closing plus a \$10 million seller note. The assets to be sold include, among others, trade receivables, inventory, our equity interest in two joint ventures, certain dedicated plants in the U.S., France and Germany, and certain dedicated assets in shared facilities and the purchaser agreed to assume certain liabilities (the Antioxidant Sale). We will retain assets that are shared with our other business components that exist in certain locations globally and utilize those assets under supply agreements with SK or its affiliate.

On January 25, 2013, we entered into an Amended and Restated Asset Purchase and Contribution Agreement with SK and Addivant USA Holdings Corp. (Addivant) whereby SK and Addivant agreed, in addition to purchasing substantially all the assets of our Antioxidant business, to assume certain additional pension and environmental liabilities totaling approximately \$93 million. The agreement provides for the actuarial valuation of net pension liabilities to be assumed to be updated shortly before the closing of the transaction. To the extent the updated values are a reduction of the net pension liability, the difference will be applied to increase, by an equal amount, the value of the seller note to be issued at closing. The transaction closed on April 30, 2013. We anticipate recording a non-cash loss during the second quarter primarily related to the release of currency translation adjustments and accumulated other comprehensive loss (AOCL) related to the transfer of the pension obligations, among other items.

Solaris Acquisition

On September 26, 2012, we announced that we entered into a Business Transfer Agreement (BTA) with Solaris ChemTech Industries Limited (Solaris ChemTech), an Indian Company, and Avantha Holdings Limited, an Indian Company and the parent company of Solaris ChemTech (collectively, Solaris). As provided in the BTA, we have agreed to purchase from Solaris certain assets used in the manufacture and distribution of bromine and bromine chemicals for cash consideration of \$142 million and the assumption of certain liabilities. The purchase price is subject to a post-closing net working capital adjustment. The acquisition is subject to usual and customary closing conditions and is expected to close as soon as practicable.

Restructuring Initiatives

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

On April 30, 2012, our Board approved a restructuring plan providing for, among other things, the closure of our Antioxidant business manufacturing facility in Pedrengo, Italy. The Board also approved actions to improve the operating effectiveness of certain global corporate functions. This plan is intended to achieve significant gains in efficiency and costs. The total cost of

Table of Contents

the restructuring plan was estimated to be approximately \$40 million of which approximately \$6 million will consist of non-cash charges.

During 2012, we recorded pre-tax charges of \$33 million which included \$4 million for accelerated depreciation of property, plant and equipment included in depreciation and amortization, \$2 million for accelerated asset retirement obligations included in cost of goods sold, \$12 million for severance and professional fees related to corporate initiatives, \$5 million for severance and other obligations related to the Pedrengo closure and \$10 million reflecting the write-off of a receivable for which collection is not longer probable as a result of these restructuring actions. We recorded an additional pre-tax charge of \$1 million in the quarter ended March 31, 2013, primarily for accelerated depreciation related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, due to the pending sale of our Antioxidants business. The Pedrengo plant ceased operations March 31, 2013 and asset retirement work has begun. We will retain this property after the sale of the Antioxidants business is complete and anticipate selling it after all retirement and remediation work is completed.

Cash Flows from Operating Activities

Net cash used in operating activities was \$75 million for the quarter ended March 31, 2013 compared to net cash used in operating activities of \$89 million in the same period last year. Changes in key working capital accounts are summarized below:

Favorable (unfavorable) (In millions)	Quarter ended March 31, 2013	Quarter ended March 31, 2012
Accounts receivable	\$ (69)	\$ (94)
Inventories	(58)	(53)
Accounts payable	45	34
Pension and post-retirement health care liabilities	(7)	(19)

During the quarter ended March 31, 2013, accounts receivable increased by \$69 million over December 31, 2012 primarily driven by our Consumer Products segment related to seasonal demand to stock for the upcoming pool season in North America and Europe and Industrial Performance Products as a result of increased sales of our petroleum additive products this quarter. Inventory increased by \$58 million over December 31, 2012 primarily as a result of seasonal inventory build in our Consumer Products and Chemtura AgroSolutions segment coupled with an inventory build in Industrial Engineered Products resulting from the decrease in demand in electronics and foam insulation applications. Accounts payable increased by \$45 million in the quarter ended March 31, 2013 primarily relating to our Consumer Products, Chemtura AgroSolutions and Industrial Performance Product segments as a result of the inventory build. Pension and post-retirement health care liabilities decreased \$7 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to \$5 million for the quarter ended March 31, 2013 which included \$3 million for domestic plans and \$2 million for international plans.

Cash flows from operating activities for the quarter ended March 31, 2013, were adjusted by the impact of certain non-cash and other charges, which primarily included depreciation and amortization expense of \$32 million and stock-based compensation expense of \$5 million.

During the quarter ended March 31, 2012, accounts receivable increased by \$94 million driven by increased volume principally within the Industrial Performance Products and Industrial Engineered Products segments related to seasonal demand. Inventory increased \$53 million during the quarter ended March 31, 2012 as a result of building inventory ahead of the higher seasonal demand for some of our products. Accounts payable increased by \$34 million in the quarter ended March 31, 2012 primarily a result of higher raw material purchases, as well as

Edgar Filing: Chemtura CORP - Form 10-Q

the timing of vendor payments. Pension and post-retirement health care liabilities decreased \$19 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to \$22 million at March 31, 2012, which included \$19 million for domestic plans and \$3 million for international plans.

Cash flows from operating activities in 2012 were adjusted by the impact of certain non-cash and other charges, which primarily included depreciation and amortization expense of \$33 million and stock-based compensation expense of \$7 million.

Table of Contents

Cash Flows from Investing and Financing Activities

Investing Activities

Net cash used in investing activities was \$49 million for the quarter ended March 31, 2013. Investing activities were related to capital expenditures for U.S. and international facilities, environmental and other compliance requirements.

Net cash used in investing activities was \$29 million for the quarter ended March 31, 2012 related to payments for capital expenditures for U.S. and international facilities, environmental and other compliance requirements.

Financing Activities

Net cash provided by financing activities was \$13 million for the quarter ended March 31, 2013, which included \$5 million in borrowings for capital improvements related to our new facility in Nantong, China and \$7 million related to a promissory note for information technology software licenses.

Net cash provided by financing activities was \$58 million for the quarter ended March 31, 2012, which included proceeds from the ABL Facility of \$59 million offset by payments on other short term borrowings of \$1 million.

Settlements of Disputed Claims

As of March 31, 2013, there were no remaining undisbursed amounts in the Disputed Claims Reserve.

In the quarter ended March 31, 2012, we distributed approximately \$4 million of restricted cash associated with our Chapter 11 cases. These settlements were comprised of a \$3 million supplemental distribution to holders of previously issued Chemtura stock (Holders of Interests) and \$1 million for general unsecured claims. Additionally we issued approximately \$23 million of common stock which included a \$20 million supplemental distribution to Holders of Interests and \$3 million for general unsecured claims.

Future Liquidity

Edgar Filing: Chemtura CORP - Form 10-Q

In 2013, we expect to finance our continuing operations and capital spending requirements with cash flows provided by operating activities, available cash and cash equivalents, borrowings under our ABL Facility and China Bank Facility, the Antioxidant Sale and other sources. Cash and cash equivalents from continuing operations as of March 31, 2013 were \$251 million.

Contractual Obligations and Other Cash Requirements

During the quarter ended March 31, 2013, we made aggregate contributions of \$2 million to our U.S. and international pension plans and \$3 million to our post-retirement benefit plans. We expect to make approximately \$73 million of contributions to these plans during the remainder of 2013, which are subject to change based on the impact of the sale of our Antioxidant business and other initiatives.

On May 9, 2011, one of our UK subsidiaries entered into definitive agreements with the trustees of the Great Lakes U.K. Limited Pension Plan (the UK Pension Plan) over the terms of a recovery plan which provided for a series of additional cash contributions to be made to reduce the underfunding over time. The agreements provided, among other things, for our UK subsidiary to make cash contributions of £60 million (approximately \$96 million) in just over a three year period, with the initial contribution of £30 million (\$49 million) made in the second quarter of 2011 and the second contribution of £15 million (\$24 million) made in the second quarter of 2012. The next contribution of £8 million (\$12 million) is expected to be made in the second quarter of 2013. The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

There is also an evaluation being undertaken as to whether additional benefit obligations exist in connection with the equalization of certain benefits under the UK Pension Plan that occurred in the early 1990s. Based on the results of the evaluation to date, \$8 million of expense was recorded in the fourth quarter of 2011, which may be subject to adjustment as further information is gathered as part of the evaluation. Upon completion of the evaluation and the finalization of the liability with respect to additional benefit obligations, additional cash contributions to the UK Pension Plan may be required starting in 2013. There were no changes resulting from the evaluation during the first quarter of 2013.

We had net liabilities related to unrecognized tax benefits of \$39 million at March 31, 2013. We believe it is reasonably possible that our unrecognized tax benefits may decrease by approximately \$3 million within the next 12 months.

Table of Contents

Guarantees

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

Strategic Initiatives

We continually review each of our businesses, individually and as part of our portfolio to determine whether to continue in, consolidate, reorganize, exit or expand our businesses, operations and product lines. In each case, we examine whether, on a short-term or long-term basis, the business, operation or product line constitutes a strategic fit with our products, contributed to our financial health and will achieve our business objectives. If it does not, we will implement initiatives which may include, among other things, limiting or exiting the business, operation or product line, consolidation of operations or facilities or selling or otherwise disposing of the business or asset. Our review process also involves expanding businesses, investing in innovation and regional growth, expanding existing product lines and bringing new products to market or changing the way we do business.

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

CRITICAL ACCOUNTING ESTIMATES

Our Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect the amounts and disclosures reported in our Consolidated Financial Statements and accompanying notes. Our 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 our 2012 Annual Report on Form 10-K describe the critical accounting estimates and accounting policies used in the preparation of our Consolidated Financial Statements. Actual results could differ from management's estimates and assumptions. There have been no significant changes in our critical accounting estimates during the quarter ended March 31, 2013.

2013 OUTLOOK

Edgar Filing: Chemtura CORP - Form 10-Q

We remain committed to our objective of creating a focused portfolio of global specialty chemical businesses that provide sustainable competitive advantage and continued growth opportunities through superior innovation, reliability and applied science, making Chemtura indispensable to its stakeholders. Through our portfolio improvement strategies, in 2013 Chemtura will be smaller, but will improve its operating margins and have a portfolio of strongly differentiated product lines based on proprietary chemical technologies that offer superior organic revenue growth and be positioned to exploit secular industry growth trends in all regions of the globe.

Our non-industrial segments, Chemtura AgroSolutions and Consumer Products segments delivered year-over-year improvement in the first quarter of 2013 and are positioned to continue to deliver improvement over the balance of 2013. The global agrochemical economy remains robust and we anticipate gaining additional benefits in 2013 from new product offerings and registrations as well as expansion in faster growing regions like Latin American. Consumer Products has introduced new products for the 2013 season while retaining focus on driving cost efficiencies.

Our industrial segments also are focused on delivering year-on-year improvement in 2013. Our Industrial Performance Products segment delivered growth in net sales and operating income in the first quarter of 2013 and anticipates repeating this performance in the second quarter. The petroleum additives product line will lead improvement as urethanes products continue to be affected by weak demand conditions in Europe and Asia.

Table of Contents

Our Industrial Engineered Products segment faces tougher demand conditions. Demand for flame retardants used in insulation foams declined in the quarter, and this led to a softening in price as the first quarter progressed. While we expect that demand from insulation foam and electronics will improve during 2013, current customer indications suggest a marked improvement is unlikely in the second quarter, leading us to project only modest improvement from Industrial Engineered Products for the second quarter. In the interim, we are seeking price increases for our brominated products to recover increased input costs and support required reinvestment needs.

We have started to implement our plans to promptly eliminate the stranded functional costs due to the divestiture of our Antioxidant business, preserving the pre-divestiture margins of our segments. We then plan to drive margins higher by continuing to invest in innovation, bringing products with improved performance to existing customers and capturing new applications and customers. Finally, we continue to actively explore portfolio transformation opportunities.

The sale of our Antioxidants business closed on April 30, 2013. We anticipate recording a non-cash loss during the second quarter of 2013 primarily related to the release of currency translation adjustments and AOCL related to the transfer of the pension obligations, among other items.

For Chemtura as a whole, we expect that the second quarter will show significant sequential improvement with the benefit of our seasonal businesses. However, unless we see a more marked improvement from Industrial Engineered Products, it will be a significant challenge to equal the performance levels of the second quarter of 2012.

There are a number of risks to achieving our business plans as described in Item 1A - Risk Factors and summarized below in Forward Looking Statements.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Report contains forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933, as amended and Section 21(e) of the Exchange Act of 1934, as amended. We use words such as anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will and similar expressions to identify forward-looking statements. include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements.

Such risks and uncertainties include, but are not limited to:

- The cyclical nature of the global chemicals industry;

Edgar Filing: Chemtura CORP - Form 10-Q

- Increases in the price of raw materials or energy and our ability to recover cost increases through increased selling prices for our products;
- Disruptions in the availability of raw materials or energy;
- Our ability to implement our growth strategies in rapidly growing markets and faster growing regions;
- Our ability to execute timely upon our portfolio management strategies and mid and long range business plans;
- Our ability to obtain the requisite regulatory and other approvals to implement the plan to build a new multi-purpose manufacturing facility in Nantong, China;
- Declines in general economic conditions;
- The ability to comply with product registration requirements of regulatory authorities, including the U.S. food and drug administration (the FDA) and European Union REACH legislation;
- The effect of adverse weather conditions;
- Demand for Chemtura AgroSolutions segment products being affected by governmental policies;
- Current and future litigation, governmental investigations, prosecutions and administrative claims;
- Environmental, health and safety regulation matters;
- Federal regulations aimed at increasing security at certain chemical production plants;
- Significant international operations and interests;
- Our ability to maintain adequate internal controls over financial reporting;
- Exchange rate and other currency risks;
- Our dependence upon a trained, dedicated sales force;
- Operating risks at our production facilities;

Table of Contents

- Our ability to protect our patents or other intellectual property rights;
- Whether our patents may provide full protection against competing manufacturers;
- Our ability to remain technologically innovative and to offer improved products and services in a cost-effective manner;
- The risks to our joint venture investments resulting from lack of sole decision making authority;
- Our unfunded and underfunded defined benefit pension plans and post-retirement welfare benefit plans;
- Risks associated with strategic acquisitions and divestitures;
- Risks associated with possible climate change legislation, regulation and international accords;
- The ability to support the carrying value of the goodwill and long-lived assets related to our businesses;
- Whether we repurchase any additional shares of our common stock that our Board of Directors have authorized us to purchase and the terms on which any such repurchases are made; and
- Other risks and uncertainties described in our filings with the Securities and Exchange Commission including Item 1A, Risk Factors, in our Annual Report on Form 10-K.

These statements are based on our estimates and assumptions and on currently available information. The forward-looking statements include information concerning our possible or assumed future results of operations, and our actual results may differ significantly from the results discussed. Forward-looking information is intended to reflect opinions as of the date this Form 10-Q was filed. We undertake no duty to update any forward-looking statements to conform the statements to actual results or changes in our operations.

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

This Item should be read in conjunction with Item 7A - Quantitative and Qualitative Disclosures About Market Risk and Note 15 - Derivative Instruments and Hedging Activities to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K. Also see Note 13 - Derivative Instruments and Hedging Activities in our Notes to Consolidated Financial Statements (unaudited) included in this Form 10-Q.

The fair market value of long-term debt is subject to interest rate risk. Our total debt amounted to \$888 million at March 31, 2013. The fair market value of such debt as of March 31, 2013 was \$935 million, which has been determined primarily based on quoted market prices.

Our financial instruments, subject to foreign currency exchange risk, consist of two foreign currency forward contracts with a total notional amount of \$25 million, equally due in April of 2013 and 2014, and additional foreign currency forward contract with a notional amount of \$35 million due in May 2013 and a zero cost collar instrument consisting of a put option with a notional amount of \$86 million and a call option with a notional amount of \$88 million both due in April 2013. These contracts limit our risk to changes in the Euro over those periods and represent a net asset position of \$2 million at March 31, 2013. We conducted sensitivity analysis on the fair value of our foreign currency hedge portfolio assuming an instantaneous 10% change in the Euro from its value as of March 31, 2013, with all other variables held constant. A 10% increase in the Euro against the U.S. Dollar would result in an increase of \$32 million in the fair value of these contracts. The sensitivity in fair value of these contracts represents changes in fair values estimated based on market conditions as of March 31, 2013, without reflecting the underlying monetary exposures the portfolio is hedging. The effect of exchange movements on those anticipated transactions would be expected to mitigate the impacts implied by our sensitivity analysis.

There have been no other significant changes in market risk during the quarter ended March 31, 2013.

Table of Contents

ITEM 4. Controls and Procedures

(a) Disclosure Controls and Procedures

As of March 31, 2013, our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have conducted an evaluation of the effectiveness of the design and operation 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 effective as of the end of the period covered by this Report.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the first quarter ended March 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

See Note 17 Legal Proceedings and Contingencies in our Notes to Consolidated Financial Statements for a description of our legal proceedings.

ITEM 1A. Risk Factors

Our risk factors are described in our 2012 Annual Report on Form 10-K. Investors are encouraged to review those risk factors in detail before making any investment in our securities. Except as described below, there have been no significant changes in our risk factors during the quarter ended March 31, 2013.

We may experience unexpected difficulties and incur unexpected costs in the construction of new facilities, including our multipurpose manufacturing facility in the Nantong Economic and Technological Development Area, which may increase our costs, delay the start of production or disrupt our ability to supply our customers.

The Nantong facility is currently being constructed and the first production unit is expected to be operational in the fourth quarter of 2013. The two additional units will become operational in 2014 and 2015. The Nantong facility will support our Industrial Performance Products segment's petroleum additives and urethanes businesses, and our overall growth strategy in China and the greater Asia-Pacific region. The construction of a new manufacturing facility, especially one in China, entails a number of risks, including the ability to begin production within the cost and timeframe estimated and to attract a sufficient number of skilled workers to meet the needs of the new facility. Additionally, our assessment of the projected benefits associated with the construction of a new manufacturing facility, including the Nantong facility, is subject to a number of estimates and assumptions, which in turn are subject to significant economic, competitive and other uncertainties that are beyond our control. If we experience delays or increased costs, our estimates and assumptions are incorrect, or other unforeseen events occur, our business, ability to supply customers, financial condition and results of operations could be adversely impacted.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities During the First Quarter of 2013

On October 18, 2011, we announced that our Board had authorized us to repurchase up to \$50 million of our common stock over the next twelve months. On July 31, 2012, our Board authorized an increase in our share repurchase program from \$50 million to up to \$100 million and extended the program to November 2013. The shares are expected to be repurchased from time to time through open market purchases. The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the

Edgar Filing: Chemtura CORP - Form 10-Q

Board's discretion. The manner, price, number and timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the Securities and Exchange Commission (SEC). As of March 31, 2013, we had total re-purchases of 3.4 million shares for a cost of \$41 million. The remaining allowance under the program was approximately \$59 million. There were no securities purchases in the quarter ended March 31, 2013.

Table of Contents

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

Not Applicable.

ITEM 6. Exhibits

The following documents are filed as part of this report:

Number	Description
31.1	Certification of Periodic Report by Chemtura Corporation's Chief Executive Officer (Section 302).
31.2	Certification of Periodic Report by Chemtura Corporation's Chief Financial Officer (Section 302).
32.1	Certification of Periodic Report by Chemtura Corporation's Chief Executive Officer (Section 906).
32.2	Certification of Periodic Report by Chemtura Corporation's Chief Financial Officer (Section 906).
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *

Table of Contents

CHEMTURA CORPORATION

SIGNATURE

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)

/s/ Laurence M. Orton

Date: May 2, 2013

Name: Laurence M. Orton
Title: Vice President and Corporate Controller
(Principal Accounting Officer)