Chemtura CORP
Form 10-Q
April 29, 2015
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

(Commission File Number) 1-15339

CHEMTURA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**52-2183153**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1818 Market Street, Suite 3700, Philadelphia, Pennsylvania	**19103**
199 Benson Road, Middlebury, Connecticut	**06749**
(Address of principal executive offices)	(Zip Code)

(203) 573-2000

(Registrant s telephone number,

including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

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

Class

	Number of shares outstanding at March 31, 2015
Common Stock - $.01 par value	67,175,569

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CHEMTURA CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

Quarters ended March 31, 2015 and 2014

(*In millions, except per share data*)

	Quarters ended March 31, 2015	Quarters ended March 31, 2014
Net sales	$ 438	$ 556
Cost of goods sold	340	436
Selling, general and administrative	36	60
Depreciation and amortization	24	28
Research and development	5	8
Facility closures, severance and related costs	1	2
Loss on sale of business	3	
Operating income	29	22
Interest expense	(8)	(12)
Other income, net	11	3
Earnings from continuing operations before income taxes	32	13
Income tax expense	(11)	(3)
Earnings from continuing operations	21	10
Earnings from discontinued operations, net of tax		1
Loss on sale of discontinued operations, net of tax	(1)	(5)
Net earnings	$ 20	$ 6
Basic per share information		
Earnings from continuing operations	$ 0.31	$ 0.10
Earnings from discontinued operations, net of tax		0.01
Loss on sale of discontinued operations, net of tax	(0.01)	(0.05)
Net earnings	$ 0.30	$ 0.06
Diluted per share information		
Earnings from continuing operations	$ 0.30	$ 0.10
Earnings from discontinued operations, net of tax		0.01
Loss on sale of discontinued operations, net of tax	(0.01)	(0.05)
Net earnings	$ 0.29	$ 0.06
Weighted average shares outstanding - Basic	68.8	96.3
Weighted average shares outstanding - Diluted	69.8	97.8

See accompanying notes to Consolidated Financial Statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

Quarters ended March 31, 2015 and 2014

(*In millions*)

	Quarters ended March 31,			
	2015		2014	
Net earnings	$	20	$	6
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments		(38)		(6)
Unrecognized pension and other post-retirement benefit costs				1
Unrealized gain on available for sale securities		4		
Comprehensive (loss) income	$	(14)	$	1

See accompanying notes to Consolidated Financial Statements

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CHEMTURA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2015 (Unaudited) and December 31, 2014

(*In millions, except par value data*)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 245	$ 392
Accounts receivable, net	259	251
Inventories, net	313	329
Other current assets	233	238
Assets held for sale	2	6
Total current assets	1,052	1,216
NON-CURRENT ASSETS		
Property, plant and equipment, net	672	704
Goodwill	166	172
Intangible assets, net	95	99
Deferred tax asset - non-current	300	313
Other assets	158	163
Total assets	$ 2,443	$ 2,667
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 2	$ 18
Accounts payable	152	146
Accrued expenses	159	170
Below market contract obligation - current	38	38
Income taxes payable	4	24
Liabilities held for sale	2	9
Total current liabilities	357	405
NON-CURRENT LIABILITIES		
Long-term debt	556	556
Pension and post-retirement health care liabilities	299	318
Below market contract obligation - non-current	174	185
Deferred tax liability - non-current	21	25
Other liabilities	116	124
Total liabilities	1,523	1,613
EQUITY		
Common stock - $0.01 par value Authorized - 500.0 shares Issued - 100.5 shares at March 31, 2015 and December 31, 2014	1	1
Additional paid-in capital	4,370	4,383
Accumulated deficit	(2,242)	(2,262)
Accumulated other comprehensive loss	(431)	(397)
Treasury stock - at cost - 33.4 shares at March 31, 2015 and 28.8 shares at December 31, 2014	(779)	(672)
Total Chemtura stockholders equity	919	1,053
Non-controlling interest	1	1
Total equity	920	1,054
Total liabilities and equity	$ 2,443	$ 2,667

See accompanying notes to Consolidated Financial Statements.

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CHEMTURA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

Quarter ended March 31, 2015 and 2014

(*In millions*)

	Quarters ended March 31, 2015	2014
Increase (decrease) in cash		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 20	$ 6
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Loss on sale of discontinued operations	1	5
Loss on sale of business	3	
Below market contract obligation	(9)	
Depreciation and amortization	24	28
Share-based compensation expense	3	4
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(23)	(75)
Inventories	1	(2)
Accounts payable	11	39
Pension and post-retirement health care liabilities	(4)	(20)
Other	(11)	(35)
Net cash provided by (used in) operating activities	16	(50)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from divestments	(2)	8
Capital expenditures	(13)	(23)
Net cash used in investing activities	(15)	(15)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term debt		10
Payments on long term debt	(17)	(111)
Payments on other short-term borrowings, net		(1)
Common shares acquired	(122)	(22)
Proceeds from exercise of stock options	3	4
Net cash used in financing activities	(136)	(120)
CASH AND CASH EQUIVALENTS		
Effect of exchange rates on cash and cash equivalents	(12)	(1)
Change in cash and cash equivalents	(147)	(186)
Cash and cash equivalents at beginning of period	392	549
Cash and cash equivalents at end of period	$ 245	$ 363

See accompanying notes to Consolidated Financial Statements.

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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 a global specialty chemical company dedicated to delivering innovative, performance-driven engineered specialty chemical solutions which are used as additives, ingredients or intermediates that add value to our customers end products. We are committed to global sustainability through greener technology and developing engineered chemical solutions that meet our customers evolving needs. We operate in a wide variety of end-use industries, including automotive, building and construction, electronics, energy, lubricants, packaging and transportation. We are a leader in many of our key product lines and transact business in more than 80 countries.

Our principal executive offices are located in Philadelphia, PA and Middlebury, CT.

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

The information in the foregoing Consolidated Financial Statements for the quarters ended March 31, 2015 and 2014 is unaudited but reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise disclosed in the accompanying notes to our Consolidated Financial Statements.

Basis of Presentation

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

Our Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles (U.S.GAAP), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

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 year ended December 31, 2014 (the 2014 Form 10-K). The consolidated results of operations for the quarter ended March 31, 2015 are not necessarily indicative of the results expected for the full year.

Accounting Policies and Other Items

Included in accounts receivable are allowances for doubtful accounts of $2 million as of March 31, 2015 and December 31, 2014.

During the three months ended March 31, 2015 and 2014, we made cash interest payments of approximately $14 million and $19 million, respectively. During the three months ended March 31, 2015 and 2014, we made cash payments for income taxes (net of refunds) of $18 million and $4 million, respectively.

At March 31, 2015, $4 million of our asset retirement obligation was included in accrued expenses and $13 million was included in other liabilities in our Consolidated Balance Sheet. At December 31, 2014, $3 million of our asset retirement obligation was included in accrued expenses and $13 million was included in other liabilities in our Consolidated Balance Sheet.

Accounting Developments

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* Under current U.S. GAAP, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. This ASU requires that they be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, which is similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense using the effective interest method. This ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We do not expect the adoption of this amendment to have a material impact on our financial statements.

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2) DIVESTITURES

Divestitures Reported as Gain or Loss on Sale of Business

On November 3, 2014, we sold our Chemtura AgroSolutions business to Platform Specialty Products Corporation (Platform) under a Stock and Asset Purchase Agreement (SAPA) for approximately $1 billion, consisting of $950 million in cash and 2 million shares of Platform s common stock. The purchase price is subject to customary post-closing adjustments, primarily for working capital.

Under the terms of the SAPA, we retained most of the property, plant and equipment used to manufacture products of the Chemtura AgroSolutions business and continue to manufacture products for Platform under several supply agreements and a tolling agreement (collectively, the supply agreements) with minimum terms of between two and four years. In alignment with the change in the nature of operations, we changed the name of this segment to Agrochemical Manufacturing.

The supply agreements with Platform are designed to recover the cash costs incurred to manufacture the products under the agreement. Accordingly, the supply agreements are considered below-market contracts for their full term. As of March 31, 2015, our Consolidated Balance Sheet included $212 million, on a discounted basis, which represents the remaining loss of profit on these products over the remaining terms of the supply agreements, including contractual obligations to continue to supply for a period of up to 2 years after the termination of the supply agreements.

The recognition of this obligation, along with the accretion of the obligation to its undiscounted value, has been and will continue to be recorded as net sales in the Agrochemical Manufacturing segment on a straight-line basis over the term of each supply agreement based on our estimate of the timing of shipments. The recognition of this obligation will not generate cash flows during the term of the supply agreements. As of March 31, 2015, the current and long-term portions of this obligation, on a discounted basis, were $38 million and $174 million, respectively.

As of December 31, 2014, we had not transferred ownership of our wholly-owned subsidiary in Russia and our 15% investment in Certis Europe B.V. (Certis) to Platform as provided in the SAPA due to certain pending approvals. Therefore, the value of these assets and liabilities along with the proceeds received for these investments were presented as assets and liabilities held for sale as of that date. The value ascribed to these investments as part of the purchase price was received at the closing in November 2014.

In January 2015, we closed on the sale of our subsidiary in Russia. The transfer of Certis to Platform is still awaiting certain approvals. The value of the Certis assets and proceeds received for this investment have been presented as assets and liabilities held for sale as of March 31, 2015.

The following is a summary of the Chemtura AgroSolutions assets and liabilities held for sale as of March 31, 2015 and December 31, 2014:

(In millions)	**March 31, 2015**	**December 31, 2014**
Accounts receivable, net	$	$ 3
Inventories		1
Other assets	2	2
Assets	2	6
Accrued expenses	2	9
Liabilities	2	9
Net Assets	$	$ (3)

Included in the loss on sale of business for the quarter ended March 31, 2015 is customary working capital and other adjustments and the sale of our wholly-owned subsidiary in Russia.

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Divestitures Reported as Discontinued Operations

In December 2013, we sold our Consumer Products business to KIK Custom Products Inc. (KIK) and in April 2013, we sold substantially all the assets of our Antioxidant business (the Antioxidant Sale) to SK Blue Holdings, Ltd. (SK), an affiliate of SK Capital Partners III, L.P., and Addivant USA Holdings Corp (Addivant). During the three months ended March 31, 2015 and March 31, 2014, we recognized a pre-tax loss of $1 million ($1 million after tax) and $5 million ($5 million after tax), primarily for transaction costs and post-closing adjustments and obligations which were recognized in loss on sale of discontinued operations, net of tax in the Consolidated Statement of Operations.

3) RESTRUCTURING ACTIVITIES

We recorded pre-tax charges of $1 million and $2 million during the first quarters of 2015 and 2014, respectively, to facility closures, severance and related costs in our Consolidated Statements of Operations. The first quarter 2015 charge was mainly for severance related to the planned closure of our West Lafayette, IN facility that was initiated in February 2015 under the restructuring plan approved by our Board of Directors (the Board) in November 2014. The first quarter 2014 charge was primarily for severance and professional fees related to our organizational restructuring plan that was approved by the Board in 2013.

A summary of the changes in the liabilities established for restructuring programs during the first quarter of 2015 is as follows:

(In millions)		**Severance and Related Costs**
Balance at December 31, 2014	$	21
2015 charge		1
Cash payments		(12)
Balance at March 31, 2015	$	10

At March 31, 2015 and December 31, 2014, the balance of these reserves were included in accrued expenses in our Consolidated Balance Sheet.

4) INVENTORIES

(In millions)		**March 31, 2015**		**December 31, 2014**
Finished goods	$	197	$	200
Work in process		36		35
Raw materials and supplies		80		94
	$	313	$	329

Included in the above net inventory balances are inventory obsolescence reserves of approximately $12 million and $13 million at March 31, 2015 and December 31, 2014, respectively.

5) PROPERTY, PLANT AND EQUIPMENT

(In millions)	March 31, 2015	December 31, 2014
Land and improvements	$ 69	$ 71
Buildings and improvements	197	209
Machinery and equipment	1,196	1,248
Information systems equipment	164	167
Furniture, fixtures and other	20	22
Construction in progress	75	82
	1,721	1,799
Less: accumulated depreciation	1,049	1,095
	$ 672	$ 704

Depreciation expense was $21 million and $23 million for the quarters ended March 31, 2015 and 2014, respectively. Depreciation expense included accelerated depreciation of certain fixed assets associated with our restructuring programs of $1 million and $3 million for the quarters ended March 31, 2015 and March 31, 2014, respectively.

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6) GOODWILL AND INTANGIBLE ASSETS

Goodwill was $166 million and $172 million at March 31, 2015 and December 31, 2014, respectively. The decrease in goodwill since December 31, 2014 was due to foreign currency translation. The goodwill is allocated to the Industrial Performance Products segment.

Our intangible assets (excluding goodwill) consist of Patents, Trademarks, Customer Relationships, Production rights and Other Intangibles. At March 31, 2015 and December 31, 2014, our net intangible assets were $95 million and $99 million, respectively. The decrease was due to amortization expense and foreign currency translation. Amortization expense related to intangible assets was $3 million and $5 million for the quarters ended March 31, 2015 and 2014, respectively.

7) DEBT

Our debt is comprised of the following:

	March 31, 2015		December 31, 2014	
(In millions)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
5.75% Senior Notes due 2021	$ 450	$ 456	$ 450	$ 439
Term Loan due 2016	82	82	82	82
Other borrowings	26	26	42	42
Total Debt	558	564	574	563
Less: Other short-term borrowings	(2)		(18)	
Total Long-term debt	$ 556		$ 556	

Financing Facilities

2021 Senior Notes

In July 2013, we completed a registered public offering of $450 million of 5.75% Senior Notes due 2021 (the 2021 Senior Notes).

At any time prior to July 15, 2016, we are permitted to redeem some or all of the 2021 Senior Notes at a redemption price equal to 100% of the principal amount thereof plus a make-whole premium (as defined in the indenture governing the 2021 Senior Notes (the 2021 Indenture)) and accrued and unpaid interest up to, but excluding, the redemption date. At any time after July 15, 2016, we are permitted to redeem some or all of the 2021 Senior Notes, with the redemption prices being, prior to July 15, 2017, 104.313% of the principal amount; on or after July 15, 2017 and prior to July 15, 2018, 102.875% of the principal amount; on or after July 15, 2018 and prior to July 15, 2019, 101.438% of the principal amount; and thereafter 100% of the principal amount, in each case plus any accrued and unpaid interest to the redemption date. In addition, prior to July 15, 2016, we may redeem up to 35% of the 2021 Senior Notes from the proceeds of certain equity offerings at a redemption price of 105.75% plus accrued but unpaid interest to the redemption date. If we experience certain kinds of changes in control, as defined in the 2021 Indenture, we may be required to offer to repurchase all of the 2021 Senior Notes at a redemption price (subject to limitations as described in the 2021 Indenture) equal to 101% of the aggregate principal amount plus accrued and unpaid interest.

Our 2021 Senior Notes contain covenants that limit our ability to enter into certain transactions, such as incurring secured debt and subsidiary debt and entering into sale and lease-back transactions.

Our 2021 Senior Notes are subject to certain events of default, including, among others, breach of other agreements in the 2021 Indenture; any guarantee of a significant subsidiary ceasing to be in full force and effect; a default by us or our restricted subsidiaries under any bonds, debentures, notes or other evidences of indebtedness of a certain amount, resulting in its acceleration; and certain events of bankruptcy or insolvency.

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Term Loan

In August 2010, we entered into the Term Loan due 2016 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 permitted us to increase the size of the facility with an accordion feature by up to $125 million. Repayments were made on the Term Loan in 2013 and 2014 with proceeds from the 2021 Senior Notes offering, the cash proceeds from the sale of businesses and cash on hand. As of March 31, 2015, $82 million remained outstanding under the Term Loan.

Borrowings under the amended Term Loan bear interest at a rate per annum equal to, at our election, (i) 1.75% plus the Base Rate (defined as the higher of (a) the Federal Funds rate plus 0.5%; (b) Bank of America s published prime rate; and (c) the Eurodollar Rate plus 1%) or (ii) 2.75% plus the Eurodollar Rate (defined as the higher of (a) 0.75% and (b) the current LIBOR adjusted for reserve requirements).

The Term Loan contains 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.

Additionally, the Term Loan requires that we meet certain financial maintenance covenants including a maximum Secured Leverage Ratio (net of unrestricted cash, 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. Additionally, the Term Loan contains a covenant related to the repayment of excess cash flow (as defined in the agreement). As of March 31, 2015, we were in compliance with the covenant requirements of the Term Loan.

ABL Facility

In December 2013, we entered into a five-year senior secured revolving credit facility that provides for $175 million available to our domestic subsidiaries (the US ABL Facility) and 60 million available to Chemtura Sales Europe B.V., a Netherlands subsidiary (the Foreign ABL Facility , and together with the US ABL Facility, the 2018 ABL Facility), subject in each case to availability under a borrowing base. The 2018 ABL Facility provides a $125 million letter of credit sub-facility.

The revolving loans under the 2018 ABL Facility will bear interest at a rate per annum which, at our option, can be either: (a) a base rate (which varies depending on the currency in which the loans are borrowed) plus a margin of between 0.50% and 1.00% for loans denominated in U.S. dollars or between 1.50% and 2.00% for loans denominated in other currencies, in each case based on the average excess availability under the 2018 ABL Facility for the preceding quarter; or (b) the current reserve adjusted Eurocurrency Rate plus a margin of between 1.50% and 2.00% based on the average excess availability under the 2018 ABL Facility for the preceding quarter.

The 2018 ABL Facility Agreement contains certain affirmative and negative covenants (applicable to us, the other borrowing subsidiaries, the guarantors and their respective subsidiaries other than unrestricted subsidiaries), including, without limitation, covenants requiring financial reporting and notices of certain events, and covenants imposing limitations on incurrence of indebtedness and guaranties; liens; loans and investments; asset dispositions; dividends, redemptions, and repurchases of stock and prepayments, redemptions and repurchases of certain indebtedness; mergers, consolidations, acquisitions, joint ventures or creation of subsidiaries; material changes in business; transactions with affiliates; restrictions on distributions from restricted subsidiaries and granting of negative pledges; changes in accounting and reporting; sale leasebacks; and speculative transactions, and a springing financial covenant requiring a minimum trailing four quarter fixed charge coverage ratio of 1.0 to 1.0 at all times during (A) any period from the date when the amount available for borrowings under the 2018 ABL Facility falls below the greater of (i) $25 million and (ii) 10% of the aggregate commitments to the date such available amount has been equal to or greater than the greater of (i) $25 million and (ii) 10% of the aggregate commitments for 30 consecutive days, or (B) any period from the date when the amount available for borrowings under the US ABL Facility falls below the greater of (i) $18 million and (ii) 10% of the aggregate commitments under the US ABL Facility to the date such available amount has been equal to or greater than the greater of (i) $18 million and (ii) 10% of the aggregate commitments under the US ABL Facility for 30 consecutive days.

At March 31, 2015 and December 31, 2014, we had no borrowings under the 2018 ABL Facility. However, we had $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, 2015 and December 31, 2014, we had approximately $207 million and $211 million, respectively, of undrawn availability under the 2018 ABL Facility.

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Other Facilities

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 (the ABC Bank). The China Bank Facility has been used for funding construction of our manufacturing facility in Nantong, China and 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 based on the prevailing People s Bank of China Lending Rate. At March 31, 2015 and December 31, 2014, we had borrowings of $12 million and $27 million, respectively, under the China Bank Facility. Repayments of principal will be made in semi-annual installments from December 2014 through December 2017. In January 2015, we prepaid $15 million of the China Bank Facility with proceeds from the sale of the Chemtura AgroSolutions business. As of March 31, 2015, $12 million remained outstanding under the China Bank Facility.

8) INCOME TAXES

We reported income tax expense of $11 million and $3 million for the quarters ended March 31, 2015 and 2014, respectively. The tax expense reported for the quarter ended March 31, 2015 reflected higher earnings and that following the release of U.S.valuation allowance in the fourth quarter of 2014, we provided a full tax provision on our U.S. income. In the fourth quarter of 2014, we concluded that the positive evidence outweighed the negative evidence and that we can utilize our U.S. deferred tax assets before they expire. As a result we released a majority of our U.S. valuation allowance.

The tax expense reported for the quarter ended March 31, 2014 related to taxable income of certain of our international subsidiaries.

We have net liabilities related to unrecognized tax benefits of $28 million at March 31, 2015 and December 31, 2014.

9) ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss (AOCL), net of tax at March 31, 2015 and December 31, 2014, were as follows:

(in millions)	**Foreign Currency Translation Adjustments**	**Unrecognized Pension and Other Post-Retirement Benefit Costs**	**Unrealized loss on available for sale securities**	**Total**
As of December 31, 2014	$ (86)	$ (306)	$ (5)	$ (397)
Other comprehensive income (loss) before reclassifications	(43)	(5)	4	(44)
Amounts reclassified from AOCL	5	5		10
	(38)		4	(34)

Net current period other comprehensive loss				
As of March 31, 2015	$ (124)	$ (306)	$ (1)	$ (431)

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The following table summarizes the reclassifications from AOCL to the Consolidated Statement of Operations for the quarters ended March 31, 2015 and 2014:

(in millions)	Amount Reclassified from AOCL Quarters ended March 31, 2015	2014	Affected line item in the consolidated statement of operations
Foreign currency translation items:			
Loss on sale of business (a)	$ (5)	$	Loss on sale of business
Net of tax	(5)		
Defined benefit pension plan items:			
Amortization of prior-service costs (b)	1	1	Primarily SG&A
Amortization of actuarial losses (b)	(7)	(4)	Primarily SG&A
Total before tax	(6)	(3)	
Total tax	1		Income Tax Expense
Net of tax	(5)	(3)	
Total reclassifications	$ (10)	$ (3)	

(a) Sale of the Chemtura AgroSolutions business (see Note 2 - Divestitures).

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

10) COMMON SHARES

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

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

(In millions)	Quarters ended March 31, 2015	2014
Weighted average shares outstanding - Basic	68.8	96.3
Dilutive effect of common share equivalents	1.0	1.5
Weighted average shares outstanding - Diluted	69.8	97.8

In October 2014, the Board approved a share repurchase authorization of up to $500 million conditioned upon the sale of the Chemtura AgroSolutions business. This repurchase program will expire on December 1, 2015.

During the quarter ended March 31, 2015, we repurchased 5.1 million shares of our common stock at a cost of $122 million. As of March 31, 2015, $48 million remained under the share repurchase program.

The shares are expected to be repurchased from time to time through open market purchases. The program does not obligate us to repurchase any particular amount of common stock and 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 SEC. We release the value of treasury shares at the weighted average price per share when shares are issued from treasury.

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11) STOCK INCENTIVE PLANS

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

Share-based compensation expense was $3 million and $4 million for the quarters ended March 31, 2015 and 2014, respectively. Stock-based compensation expense was primarily reported in SG&A.

Restricted Stock Units and Performance Shares

In March 2015, the compensation and governance committee of the Board (the Compensation Committee) approved the grant of 0.2 million time-based RSUs under the 2015 long-term incentive awards (the 2015 Awards). These RSUs vest ratably over a three-year period.

In March 2015, the Compensation Committee also approved the grant of 0.2 million performance shares under the 2015 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, 2017 and the performance share metric is the relative total shareholder return against the companies comprising the Dow Jones Chemical Index. The performance shares will be settled as soon as practicable after the performance period but no later than March 15, 2018. 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 $34.91.

Total remaining unrecognized compensation expense associated with all unvested time-based RSUs and performance shares at March 31, 2015 was $20 million, which will be recognized over the weighted average period of approximately 2 years.

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, 2015 and 2014 are as follows:

	Qualified U.S. Plans	Defined Benefit Plans International and Non-Qualified Plans	Post-Retirement Health Care Plans

(In millions)	Quarters ended March 31, 2015	2014	Quarters ended March 31, 2015	2014	Quarters ended March 31, 2015	2014
Service cost	$	$	$	$ 1	$	$
Interest cost	6	7	4	5	1	1
Expected return on plan assets	(10)	(10)	(6)	(7)		
Amortization of prior service cost					(1)	(1)
Amortization of actuarial losses	4	2	2	1	1	1
Net periodic benefit cost (credit)	$	$ (1)	$	$	$ 1	$ 1

We contributed $1 million to our U.S. non-qualified pension plans and $2 million to our international pension plans for the three months ended March 31, 2015. Contributions to post-retirement health care plans for the three months ended March 31, 2015 were $2 million.

13) 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.

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Litigation and Claims

Environmental Liabilities

We are involved in environmental matters of various types in a number of jurisdictions. These matters may, from time to time, 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 estimable.

The total amount accrued for environmental liabilities as of March 31, 2015 and December 31, 2014 was $70 million and $76 million, respectively. At March 31, 2015 and December 31, 2014, $16 million and $17 million, respectively, of these environmental liabilities were reflected as accrued expenses and $54 million and $59 million, respectively, were reflected as other liabilities. We estimate that ongoing environmental liabilities could range up to $80 million at March 31, 2015. Our accruals for environmental liabilities include estimates for determinable clean-up costs. We recorded pre-tax charges of $2 million for the three months ended March 31, 2015 and made payments of $3 million during the three months ended March 31, 2015 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, 2015, no receivables are outstanding related to these agreements. At a number of these sites, the extent of contamination has not yet been fully investigated or the final scope of remediation is not yet determinable. We intend to assert all meritorious legal defenses and will pursue other equitable factors that are available with respect to these matters. However, the final cost of clean-up at these sites could exceed our present estimates, and could have, individually or in the aggregate, a material adverse effect on our financial condition, results of operations, or cash flows. Our estimates for environmental remediation liabilities may change in the future should additional sites be identified, further remediation measures be required or undertaken, current laws and regulations be modified or additional environmental laws and regulations be enacted, and as negotiations with respect to certain sites.

Other

We are routinely subject to civil claims, litigations, arbitrations, 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.

Guarantees

In addition to the letters of credit of $15 million outstanding at March 31, 2015 and December 31, 2014, we have guarantees that have been provided to various financial institutions. At March 31, 2015 and December 31, 2014, we had $8 million and $10 million of outstanding guarantees, respectively. 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.

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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.

14) 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) gain or loss on sale of business. 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 as well as synthetic lubricant base-stocks and greases; 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.

Industrial Engineered Products

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

Agrochemical Manufacturing (formerly Chemtura AgroSolutions)

In November 2014, we sold our Chemtura AgroSolutions business to Platform. Under the terms of the SAPA, we have retained most of the property, plant and equipment used to manufacture products of the Chemtura AgroSolutions business and continue to manufacture products for Platform under several supply agreements with minimum terms of between two and four years. In alignment with the change in the nature of operations, we changed the name of this segment to Agrochemical Manufacturing.

The supply agreements with Platform are designed to recover the cash costs incurred to manufacture the products under the agreement. Due to these economics,, the supply agreements are considered below-market contracts for their full term. At closing, an obligation was recorded, on a discounted basis, which represents the remaining loss of profit on these products over the remaining terms of the supply agreements, including contractual obligations to continue to supply for a period of up to 2 years after the termination of the contracts. The recognition of this obligation, along with the accretion of the obligation to its undiscounted value, has been and will continue to be recorded as net sales in the Agrochemical Manufacturing segment on a straight-line basis over the term of each supply agreement based on our estimate of the timing of shipments. The recognition of this obligation will not generate cash flows during the term of the supply agreements.

Prior to the sale, Chemtura AgroSolutions developed, supplied, registered and sold agricultural chemicals formulated for specific crops in various geographic regions for the purpose of enhancing quality and improving yields. The business was focused on specific target markets in six major product lines: seed treatments, fungicides, miticides, insecticides, growth regulators and herbicides, which were mainly sold to distributors and retailers in the agricultural sector.

Corporate and Other Charges

Corporate 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. Facility closures, severance and related costs are primarily for severance costs related to our cost savings initiatives. The loss on sale of business relates to the sale of our Chemtura AgroSolutions business in 2014.

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A summary of business data for our reportable segments for the quarters ended March 31, 2015 and 2014 are as follows:

(In millions)	Quarters ended March 31, 2015	2014
Net Sales		
Petroleum additives	$ 159	$ 171
Urethanes	73	76
Industrial Performance Products	232	247
Bromine based & related products	139	166
Organometallics	36	42
Industrial Engineered Products	175	208
Agrochemical Manufacturing	31	101
Total net sales	$ 438	$ 556

(In millions)	Quarters ended March 31, 2015	2014
Operating Income		
Industrial Performance Products	$ 36	$ 27
Industrial Engineered Products	2	(4)
Agrochemical Manufacturing	8	22
	46	45
General corporate expense, including amortization	(13)	(21)
Facility closures, severance and related costs	(1)	(2)
Loss on sale of business	(3)	
Total operating income	$ 29	$ 22

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15) GUARANTOR CONDENSED CONSOLIDATING FINANCIAL DATA

Our obligations under the 2021 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 2021 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 income (loss), 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, 2015

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 438	$ (343)	$ 289	$ 97	$ 395
Cost of goods sold	340	(343)	245	80	358
Selling, general and administrative	36		24	2	10
Depreciation and amortization	24		5	10	9
Research and development	5		2	1	2
Facility closures, severance and related costs	1			1	
Loss (gain) on sale of business	3		(2)		5
Operating income	29		15	3	11
Interest expense	(8)		(9)		1
Other income, net	11		5	2	4
Equity in net earnings of subsidiaries		(15)	15		
Earnings from continuing operations before income taxes	32	(15)	26	5	16
Income tax expense	(11)		(5)		(6)
Earnings from continuing operations	21	(15)	21	5	10
Loss on sale of discontinued operations, net of tax	(1)		(1)		
Net earnings	$ 20	$ (15)	$ 20	$ 5	$ 10

Condensed Consolidating Statement of Comprehensive (Loss) Income

Quarter ended March 31, 2015

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net earnings	$ 20	$ (15)	$ 20	$ 5	$ 10
Other comprehensive (loss) income, net of tax					
Foreign currency translation adjustments	(38)		16		(54)
Unrecognized pension and other post-retirement benefit costs			(2)		2
Unrealized gain on securities	4		4		
Comprehensive (loss) income	$ (14)	$ (15)	$ 38	$ 5	$ (42)

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Condensed Consolidating Balance Sheet

As of March 31, 2015

(In millions)

	Consolidated	Eliminations	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
ASSETS					
Current assets	$ 1,052	$	$ 453	$ 107	$ 492
Intercompany receivables		(6,939)	3,172	2,858	909
Investment in subsidiaries		(4,846)	757	1,135	2,954
Property, plant and equipment	672		113	218	341
Goodwill	166		93	3	70
Other assets	553		434	35	84
Total assets	$ 2,443	$ (11,785)	$ 5,022	$ 4,356	$ 4,850
LIABILITIES AND EQUITY					
Current liabilities	$ 357	$	$ 138	$ 44	$ 175
Intercompany payables		(6,939)	3,048	3,122	769
Long-term debt	556		542		14
Other long-term liabilities	610		374		