Gastar Exploration Inc.
Form 10-Q
November 05, 2015

UNITED STATES

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 September 30, 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: 001-35211

GASTAR EXPLORATION INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 38-3531640 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1331 Lamar Street, Suite 650 Houston, Texas | 77010 |
| (Address of principal executive offices) | (Zip Code) |

(713) 739-1800

(Registrant's telephone number, including area code)

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 x No o

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

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | x |
| Non-accelerated filer | ¨ (Do not check if a 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). Yes o No x

The total number of outstanding common shares, $0.001 par value per share, as of November 2, 2015 was 80,147,147.

GASTAR EXPLORATION INC.

QUARTERLY REPORT ON FORM 10-Q

For the three and nine months ended September 30, 2015

TABLE OF CONTENTS

On November 14, 2013, Gastar Exploration Ltd., an Alberta, Canada corporation, changed its jurisdiction of incorporation to the State of Delaware and changed its name to “Gastar Exploration, Inc.” On January 31, 2014, Gastar Exploration, Inc. merged with and into Gastar Exploration USA, Inc., its direct subsidiary, as part of a reorganization to eliminate Gastar Exploration, Inc.’s holding company corporate structure. Pursuant to the merger agreement, shares of Gastar Exploration, Inc.’s common stock were converted into an equal number of shares of common stock of Gastar Exploration USA, Inc., and Gastar Exploration USA, Inc. changed its name to “Gastar Exploration Inc.” Gastar Exploration Inc. owns and continues to conduct Gastar Exploration, Inc.’s business in substantially the same manner as was being conducted prior to the merger.

Unless otherwise indicated or required by the context, (i) for any date or period prior to the January 31, 2014 merger described above, “Gastar,” the “Company,” “we,” “us,” “our” and similar terms refer collectively to Gastar Exploration, Inc.(formerly known as Gastar Exploration Ltd.) and its subsidiaries, including Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.), and for any date or period after January 31, 2014, such terms refer collectively to Gastar Exploration Inc. and its subsidiaries and (ii) all dollar amounts appearing in this Form 10-Q are stated in United States dollars (“U.S. dollars”) unless otherwise noted and (iii) all financial data included in this Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

General information about us can be found on our website at www.gastar.com. The information available on or through our website, or about us on any other website, is neither incorporated into, nor part of, this report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the U.S. Securities and Exchange Commission (“SEC”), as well as any amendments and exhibits to those reports, will be available free of charge through our website as soon as reasonably practicable after we file or furnish them to the SEC. Information is also available on the SEC website at www.sec.gov for our U.S. filings.

Glossary of Terms

| | |
|---|---|
| AMI | Area of mutual interest, an agreed designated geographic area where co-participants or other industry participants have a right of participation in acquisitions and operations |
| Bbl | Barrel of oil, condensate or NGLs |
| Bbl/d | Barrels of oil, condensate or NGLs per day |
| Bcf | One billion cubic feet of natural gas |
| Bcfe | One billion cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| Boe | One barrel of oil equivalent determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or NGLs |
| Boe/d | Barrels of oil equivalent per day |
| Btu | British thermal unit, typically used in measuring natural gas energy content |
| CRP | Central receipt point |
| FASB | Financial Accounting Standards Board |
| Gross acres | Refers to acres in which we own a working interest |
| Gross wells | Refers to wells in which we have a working interest |
| MBbl | One thousand barrels of oil, condensate or NGLs |
| MBbl/d | One thousand barrels of oil, condensate or NGLs per day |
| MBoe | One thousand barrels of oil equivalent, calculated by converting natural gas volumes on the basis of 6 Mcf of natural gas per barrel |
| MBoe/d | One thousand barrels of oil equivalent per day |
| Mcf | One thousand cubic feet of natural gas |
| Mcf/d | One thousand cubic feet of natural gas per day |
| Mcfe | One thousand cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| MMBtu/d | One million British thermal units per day |

| | |
|---|---|
| MMcf | One million cubic feet of natural gas |
| MMcf/d | One million cubic feet of natural gas per day |
| MMcfe | One million cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| MMcfe/d | One million cubic feet of natural gas equivalent per day |
| Net acres | Refers to our proportionate interest in acreage resulting from our ownership in gross acreage |
| Net wells | Refers to gross wells multiplied by our working interest in such wells |
| NGLs | Natural gas liquids |
| NYMEX | New York Mercantile Exchange |
| PBU | Performance based unit comprising one of our compensation plan awards |
| psi | Pounds per square inch |
| U.S. | United States of America |
| U.S. GAAP | Accounting principles generally accepted in the United States of America |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GASTAR EXPLORATION INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (Unaudited) | |
| | (in thousands, except share data) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 10,351 | $ 11,008 |
| Accounts receivable, net of allowance for doubtful accounts of $0, respectively | 9,860 | 30,841 |
| Commodity derivative contracts | 16,895 | 19,687 |
| Prepaid expenses | 611 | 2,083 |
| Total current assets | 37,717 | 63,619 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Oil and natural gas properties, full cost method of accounting: | | |
| Unproved properties, excluded from amortization | 91,126 | 128,274 |
| Proved properties | 1,233,716 | 1,124,367 |
| Total oil and natural gas properties | 1,324,842 | 1,252,641 |
| Furniture and equipment | 3,061 | 3,010 |
| Total property, plant and equipment | 1,327,903 | 1,255,651 |
| Accumulated depreciation, depletion and amortization | (891,414 ) | (563,351 ) |
| Total property, plant and equipment, net | 436,489 | 692,300 |
| OTHER ASSETS: | | |
| Commodity derivative contracts | 10,710 | 7,815 |
| Deferred charges, net | 2,625 | 2,586 |
| Advances to operators and other assets | 686 | 9,474 |
| Total other assets | 14,021 | 19,875 |
| TOTAL ASSETS | $ 488,227 | $ 775,794 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 12,952 | $ 28,843 |
| Revenue payable | 5,350 | 9,122 |
| Accrued interest | 10,565 | 3,528 |
| Accrued drilling and operating costs | 6,672 | 5,977 |
| Advances from non-operators | — | 1,820 |
| Commodity derivative premium payable | 2,393 | 2,481 |
| Asset retirement obligation | 88 | 82 |

| | | |
|---|---|---|
| Other accrued liabilities | 3,123 | 3,175 |
| Total current liabilities | 41,143 | 55,028 |
| LONG-TERM LIABILITIES: | | |
| Long-term debt | 397,189 | 360,303 |
| Commodity derivative contracts | 309 | — |
| Commodity derivative premium payable | 3,588 | 4,702 |
| Asset retirement obligation | 6,052 | 5,475 |
| Total long-term liabilities | 407,138 | 370,480 |
| Commitments and contingencies (Note 11) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, 40,000,000 shares authorized | | |
| Series A Preferred stock, par value $0.01 per share; 10,000,000 shares designated; 4,045,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively, with liquidation preference of $25.00 per share | 41 | 41 |
| Series B Preferred stock, par value $0.01 per share; 10,000,000 shares designated; 2,140,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively, with liquidation preference of $25.00 per share | 21 | 21 |
| Common stock, par value $0.001 per share; 275,000,000 shares authorized; 80,147,147 and 78,632,810 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively | 78 | 78 |
| Additional paid-in capital | 570,937 | 568,440 |
| Accumulated deficit | (531,131) | (218,294) |
| Total stockholders' equity | 39,946 | 350,286 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $488,227 | $775,794 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GASTAR EXPLORATION INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

| | For the Three Months Ended September 30, 2015 | For the Three Months Ended September 30, 2014 | For the Nine Months Ended September 30, 2015 | For the Nine Months Ended September 30, 2014 |
|---|---|---|---|---|
| | (in thousands, except share and per share data) | | | |
| REVENUES: | | | | |
| Oil and condensate | $12,835 | $22,793 | $45,772 | $61,913 |
| Natural gas | 3,459 | 7,151 | 14,109 | 40,129 |
| NGLs | 791 | 5,139 | 5,071 | 16,689 |
| Total oil, condensate, natural gas and NGLs revenues | 17,085 | 35,083 | 64,952 | 118,731 |
| Gain (loss) on commodity derivatives contracts | 11,301 | 6,663 | 19,734 | (8,761) |
| Total revenues | 28,386 | 41,746 | 84,686 | 109,970 |
| EXPENSES: | | | | |
| Production taxes | 655 | 1,558 | 2,317 | 5,489 |
| Lease operating expenses | 5,214 | 4,136 | 18,475 | 13,057 |
| Transportation, treating and gathering | 615 | 397 | 1,654 | 3,168 |
| Depreciation, depletion and amortization | 15,394 | 11,111 | 45,945 | 33,773 |
| Impairment of oil and natural gas properties | 181,966 | — | 282,118 | — |
| Accretion of asset retirement obligation | 131 | 129 | 387 | 376 |
| General and administrative expense | 4,683 | 4,002 | 13,352 | 12,658 |
| Total expenses | 208,658 | 21,333 | 364,248 | 68,521 |
| (LOSS) INCOME FROM OPERATIONS | (180,272) | 20,413 | (279,562) | 41,449 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest expense | (7,933) | (6,991) | (22,430) | (20,794) |
| Investment income and other | 4 | 4 | 10 | 15 |
| Foreign transaction loss | — | (1) | — | (7) |
| (LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES | (188,201) | 13,425 | (301,982) | 20,663 |
| Provision for income taxes | — | — | — | — |
| NET (LOSS) INCOME | (188,201) | 13,425 | (301,982) | 20,663 |
| Dividends on preferred stock | (3,618) | (3,618) | (10,855) | (10,805) |
| NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS | $(191,819) | $9,807 | $(312,837) | $9,858 |
| NET (LOSS) INCOME PER SHARE OF COMMON STOCK ATTRIBUTABLE TO COMMON STOCKHOLDERS: | | | | |
| Basic | $(2.47) | $0.16 | $(4.04) | $0.17 |
| Diluted | $(2.47) | $0.15 | $(4.04) | $0.16 |
| WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: | | | | |

| | | | | |
|---|---|---|---|---|
| Basic | 77,628,120 | 60,006,903 | 77,453,251 | 58,982,709 |
| Diluted | 77,628,120 | 63,399,446 | 77,453,251 | 62,306,480 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GASTAR EXPLORATION INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | $(301,982) | $20,663 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 45,945 | 33,773 |
| Impairment of oil and natural gas properties | 282,118 | — |
| Stock-based compensation | 3,927 | 3,704 |
| Mark to market of commodity derivatives contracts: | | |
| Total (gain) loss on commodity derivatives contracts | (19,734) | 8,761 |
| Cash settlements of matured commodity derivatives contracts, net | 17,913 | (7,705) |
| Cash premiums paid for commodity derivatives contracts | (45) | (185) |
| Amortization of deferred financing costs | 2,652 | 2,270 |
| Accretion of asset retirement obligation | 387 | 376 |
| Settlement of asset retirement obligation | (80) | (580) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 22,552 | (4,242) |
| Prepaid expenses | 1,472 | (697) |
| Accounts payable and accrued liabilities | (289) | 4,143 |
| Net cash provided by operating activities | 54,836 | 60,281 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Development and purchase of oil and natural gas properties | (121,074) | (100,818) |
| Advances to operators | (2,325) | (43,337) |
| Acquisition of oil and natural gas properties - refund | — | 4,209 |
| Proceeds from sale of oil and natural gas properties | 47,866 | 3,077 |
| (Payments to) proceeds from non-operators | (1,820) | 2,422 |
| Purchase of furniture and equipment | (51) | (300) |
| Net cash used in investing activities | (77,404) | (134,747) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from revolving credit facility | 75,000 | 58,000 |
| Repayment of revolving credit facility | (40,000) | (58,000) |
| Proceeds from issuance of common stock, net of issuance costs | — | 101,513 |
| Proceeds from issuance of preferred stock, net of issuance costs | — | 2,064 |
| Dividends on preferred stock | (10,855) | (10,805) |
| Deferred financing charges | (804) | (405) |
| Tax withholding related to restricted stock and performance based unit award vestings | (1,430) | (3,709) |
| Other | — | 13 |
| Net cash provided by financing activities | 21,911 | 88,671 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (657) | 14,205 |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 11,008 | 32,393 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $10,351 | $46,598 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GASTAR EXPLORATION INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business

Gastar Exploration Inc. (the "Company" or "Gastar") is an independent energy company engaged in the exploration, development and production of oil, condensate, natural gas and NGLs in the U.S. Gastar's principal business activities include the identification, acquisition, and subsequent exploration and development of oil and natural gas properties with an emphasis on unconventional reserves, such as shale resource plays. In Oklahoma, Gastar is developing the primarily oil-bearing reservoirs of the Hunton Limestone horizontal oil play and is testing other prospective formations on the same acreage, including the Meramec Shale and the Woodford Shale, which is commonly referred to as the STACK Play, and emerging prospective plays in the shallow Oswego formation and in the Osage formation, a deeper bench of the Mississippi Lime located below the Meramec. In West Virginia, Gastar has developed liquids-rich natural gas in the Marcellus Shale and has drilled and completed two successful dry gas Utica Shale/Point Pleasant wells on its acreage. Gastar has engaged a third-party to market certain Marcellus Shale and Utica/Point Pleasant acreage, primarily located in Marshall and Wetzel Counties, West Virginia, including producing wells.

For any date or period prior to January 31, 2014, "Gastar," the "Company," "we," "us," "our" and similar terms refer collective to Gastar Exploration, Inc. (formerly known as Gastar Exploration Ltd.) and its subsidiaries, including Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.), and for any date or period after January 31, 2014, such terms refer collectively to Gastar Exploration Inc. and its subsidiaries.

2. Summary of Significant Accounting Policies

The accounting policies followed by the Company are set forth in the notes to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") filed with the SEC. Please refer to the notes to the consolidated financial statements included in the 2014 Form 10-K for additional details of the Company's financial condition, results of operations and cash flows. No material item included in those notes has changed except as a result of normal transactions in the interim or as disclosed within this report.

The unaudited interim condensed consolidated financial statements of the Company included herein are stated in U.S. dollars and were prepared from the records of the Company by management in accordance with U.S. GAAP applicable to interim financial statements and reflect all normal and recurring adjustments, which are, in the opinion of management, necessary to provide a fair presentation of the results of operations and financial position for the interim periods. Such financial statements conform to the presentation reflected in the 2014 Form 10-K. The current interim period reported herein should be read in conjunction with the financial statements and accompanying notes, including Item 8. "Financial Statements and Supplementary Data, Note 2 – Summary of Significant Accounting Policies," included in the 2014 Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates. Significant estimates with regard to these financial statements include the estimate of proved oil and natural gas reserve quantities and the related present value of estimated future net cash flows.

The unaudited interim condensed consolidated financial statements of the Company include the consolidated accounts of all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications of prior year balances have been made to conform to the current year presentation; these reclassifications have no impact on net income (loss).

The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued and has disclosed certain subsequent events in these condensed consolidated financial statements, as appropriate.

Recent Accounting Developments

The following recently issued accounting pronouncements may impact the Company in future periods:

Business Combinations. In September 2015, the FASB issued updated guidance as part of its simplification initiative that require that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, depletion and amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The update is effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Debt Issuance Costs. In April 2015, the FASB issued updated guidance regarding simplification of the presentation of debt issuance costs. The updated guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Going Concern. In August 2014, the FASB issued updated guidance related to determining whether substantial doubt exists about an entity's ability to continue as a going concern. The amendment provides guidance for determining whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements, and requires specific disclosures regarding the conditions or events leading to substantial doubt. The updated guidance is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2016. Earlier adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued an amendment to previously issued guidance regarding the recognition of revenue. The FASB and the International Accounting Standards Board initiated a joint project to clarify the principles for recognizing revenue and to develop a common standard that would (i) remove inconsistencies and weaknesses in revenue requirements, (ii) provide a more robust framework for addressing revenue issues, (iii) improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, (iv) provide more useful information to users of financial statements through improved disclosure requirements and (v) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This guidance supersedes prior revenue recognition requirements and most industry-specific guidance throughout the FASB

Accounting Standards Codification. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In April 2015, the FASB proposed to delay the effective date one year, beginning in fiscal year 2018 and such proposal was subsequently adopted by the FASB in August 2015. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, results of operations or cash flows and does not expect the adoption of this guidance to materially impact its operating results, financial position or cash flows.

3. Property, Plant and Equipment

The amount capitalized as oil and natural gas properties was incurred for the purchase and development of various properties in the U.S., located in the states of Oklahoma, Pennsylvania and West Virginia.

The following table summarizes the components of unproved properties excluded from amortization at the dates indicated:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (in thousands) | |
| Unproved properties, excluded from amortization: | | |
| Drilling in progress costs | $15,302 | $29,193 |
| Acreage acquisition costs | 65,190 | 91,362 |
| Capitalized interest | 10,634 | 7,719 |
| Total unproved properties excluded from amortization | $91,126 | $128,274 |

The full cost method of accounting for oil and natural gas properties requires a quarterly calculation of a limitation on capitalized costs, often referred to as a full cost ceiling calculation. The ceiling is the present value (discounted at 10% per annum) of estimated future cash flow from proved oil, condensate, natural gas and NGLs reserves reduced by future operating expenses, development expenditures, abandonment costs (net of salvage) to the extent not included in oil and natural gas properties pursuant to authoritative guidance and estimated future income taxes thereon. To the extent that the Company's capitalized costs (net of accumulated depletion and deferred taxes) exceed the ceiling at the end of the reported period, the excess must be written off to expense for such period. Once incurred, this impairment of oil and natural gas properties is not reversible at a later date even if oil and natural gas prices increase. The ceiling calculation is determined using a mandatory trailing 12-month unweighted arithmetic average of the first-day-of-the-month commodities pricing and costs in effect at the end of the period, each of which are held constant indefinitely (absent specific contracts with respect to future prices and costs) with respect to valuing future net cash flows from proved reserves for this purpose. The 12-month unweighted arithmetic average of the first-day-of-the-month commodities prices are adjusted for basis and quality differentials in determining the present value of the proved reserves. The table below sets forth relevant pricing assumptions utilized in the quarterly ceiling test computations for the respective periods noted before adjustment for basis and quality differentials:

| | 2015 Total Impairment | September 30 | June 30 | March 31 |
|---|---|---|---|---|
| Henry Hub natural gas price (per MMBtu)[1] | | $3.06 | $3.39 | $3.88 |
| West Texas Intermediate oil price (per Bbl)[1] | | $59.21 | $71.68 | $82.72 |
| Impairment recorded (pre-tax) (in thousands) | $282,118 | $181,966 | $100,152 | $— |

| | 2014 Total Impairment | September 30 | June 30 | March 31 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Henry Hub natural gas price (per MMBtu)[1] | | $ 4.24 | $4.10 | $3.99 |
| West Texas Intermediate oil price (per Bbl)[1] | | $ 99.08 | $100.11 | $98.30 |
| Impairment recorded (pre-tax) (in thousands) | $— | $ — | $— | $— |

(1) For the respective periods, oil and natural gas prices are calculated using the trailing 12-month unweighted arithmetic average of the first-day-of-the-month prices based on Henry Hub spot natural gas prices and West Texas Intermediate spot oil prices.

The Company expects to incur a further ceiling test impairment in the fourth quarter of 2015 assuming commodities prices do not increase dramatically. While it is difficult to project future impairment charges in light of numerous variables involved, the following analysis using basic assumptions is provided to illustrate the impact of lower commodities pricing on impairment charges and proved reserves volumes. Applying the actual October 1, 2015 average benchmark commodities prices of $44.74 per barrel for crude oil and $2.48 per Mcf for natural gas to November 1, 2015 and December 1, 2015, the Company forecasts that the benchmark 12-month average price applicable to year-end 2015 proved reserves under SEC rules would decrease to $50.37 per barrel for crude oil and $2.66 per Mcf for natural gas. If such pricing was used in applying the Company's September 30, 2015 ceiling test for impairment, the Company estimates its impairment charge for the quarter ended September 30, 2015 would have increased by approximately $136.0 million.

The Company's estimated proved reserve volumes were 91.4 MMBoe at June 30, 2015 using the SEC-mandated historical twelve-month unweighted average pricing at such date. If such reserves estimates were made using the further reduced twelve-month average benchmark prices forecast for year-end 2015 as described in the foregoing paragraph and without regard to cost savings, reserve additions or other further revisions to reserves other than as a result of such pricing changes, the Company's internally estimated proved reserves as of June 30, 2015, excluding the impact of recent sales, would decrease by approximately 33.3 MMBoe primarily as a result of the loss of proved undeveloped locations and tail-end volumes which would not be economically producible at such lower prices. The foregoing estimates do not include any proved reserves expected to be acquired in the Company's pending acquisition of interests in producing wells and acreage from the Company's Mid-Continent AMI co-participant and certain other sellers, or proved reserves added through drilling activity since June 30, 2015. The Company's proved reserves estimates as of December 31, 2015 and their estimated discounted value and standardized measure will also be impacted by changes in lease operating costs, future development costs, production, exploration and development activities.

Mid-Continent Acquisition

Onroximate 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:

| | As of June 30, 2014 | | As of December 31, 2013 | |
|---|---|---|---|---|
| **(In millions)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Total debt | $ 800 | $ 824 | $ 898 | $ 916 |

**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

Table of Contents

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.
- 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 2014 and 2013 included securities purchased in connection with the deferral of compensation and our match and investment earnings related to the supplemental savings plan. These securities are considered our general assets until distributed to the participant and are included in other assets in our Consolidated Balance Sheets. A corresponding liability is included in other liabilities at June 30, 2014 and December 31, 2013 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 $3 million at June 30, 2014 and December 31, 2013.

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 quarter and six months ended June 30, 2014, there were no transfers into or out of Levels 1 and 2.

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

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

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

**15) ASSET RETIREMENT OBLIGATIONS**

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

Our asset retirement obligations include estimates for all asset retirement obligations identified for our worldwide facilities.  Our asset retirement obligations are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases at approximately 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 25 of our manufacturing facilities.

The following is a summary of the change in the carrying amount of the asset retirement obligations for the quarters and six months ended June 30, 2014 and 2013:

Table of Contents

| (In millions) | Quarters ended June 30, 2014 | Quarters ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 |
|---|---|---|---|---|
| Asset retirement obligation balance at beginning of period | $ 16 | $ 19 | $ 16 | $ 20 |
| Accretion expense(a) | 2 | | 2 | |
| Payments | (1) | (2) | (1) | (3) |
| Asset retirement obligation balance at end of period | $ 17 | $ 17 | $ 17 | $ 17 |

(a) 2014 accretion expense includes $1 million for the acceleration of obligations related to sites impacted by our restructuring initiatives, primarily Adrian, MI.

The net book value of assets related to the asset retirement obligations at June 30, 2014 and 2013 was less than $1 million.

Depreciation expense for the quarters and six months ended June 30, 2014 and 2013 was less than $1 million.

At June 30, 2014, $5 million of asset retirement obligations was included in accrued expenses and $12 million was included in other liabilities in our Consolidated Balance Sheet. At December 31, 2013, $3 million of asset retirement obligations was included in accrued expenses and $13 million was included in other liabilities in our Consolidated Balance Sheet.

**16) EMERGENCE FROM CHAPTER 11**

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

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

On November 3, 2010, the Bankruptcy Court entered an order confirming the Debtors plan of reorganization (the Plan ). On November 10, 2010 (the Effective Date ), the Debtors substantially consummated their reorganization through a series of transactions contemplated by the Plan and the Plan became effective. At the Effective Date, we determined that we did not meet the requirements under ASC Section 852-10-45 to adopt fresh start accounting because the reorganized value of our assets exceeded the carrying value of our liabilities. Fresh start accounting would have required us to record assets and liabilities at fair value at the Effective Date.

The Plan provided for payment in full including interest in certain circumstances on all allowed claims and the establishment of several reserves for disputed claims as of the Effective Date. On May 4, 2012, the Bankruptcy Court entered an order disallowing and expunging the last disputed claims in the Chapter 11 cases. All disputed claims that were ultimately allowed by the Bankruptcy Court have been satisfied by payment from the disputed claims reserve established under the Plan. Under the Plan, on the Effective Date, holders of common stock issued before the Debtors filed for Chapter 11 ( Holders of Interests ) received a distribution of new common stock in accordance with the Plan together with the potential right to receive supplemental distributions in certain circumstances. Since the Effective Date, four supplemental distributions were made to Holders of Interests, with the fourth and final supplemental distribution, which included all amounts remaining in the disputed claims reserves, having been made in July 2012.

On January 31, 2013, the Bankruptcy Court granted Chemtura s motion to enforce the discharge injunction under the Plan against certain tort claimants. On February 7, 2013, the Bankruptcy Court entered a written order consistent with its ruling. On February 20, 2013, the claimants appealed the Bankruptcy Court s February 7, 2013 order. On February 10, 2014, the United States District Court for the Southern District of New York affirmed the Bankruptcy Court s order enforcing the discharge injunction under the Plan. On March 20, 2014, the Bankruptcy Court entered an order closing the Chapter 11 case of Chemtura Corporation.

Table of Contents

As of March 31, 2014, the Bankruptcy Court had entered orders granting final decrees closing all of the Debtors Chapter 11 cases.

**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.

**Discharge of Litigation and Claims Under Chapter 11 Plan**

As a result of the Chapter 11 cases and pursuant to the Plan approved by the Bankruptcy Court, 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.

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 further described below.

**Litigation and Claims Not Discharged Under Chapter 11 Plan**

*Environmental Liabilities*

As part of the Chapter 11 cases, under the Plan, the Debtors retained responsibility for environmental cleanup liabilities relating to currently owned or operated sites (i.e. sites that were part of the Debtors estates) and, with certain exceptions, discharged or settled liabilities relating to formerly owned or operated sites (i.e., sites that were no longer part of the Debtors estates) and third-party sites (i.e., sites that were never part of the Debtors estates).

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.

The total amount accrued for environmental liabilities as of June 30, 2014 and December 31, 2013 was $85 million and $93 million, respectively. At June 30, 2014 and December 31, 2013, $19 million and $18 million, respectively, of these environmental liabilities were reflected as accrued expenses and $66 million and $75 million, respectively, were reflected as other liabilities. We estimate that the reasonably possible ongoing environmental liabilities could range up to $99 million at June 30, 2014. Our accruals for environmental liabilities include estimates for determinable clean-up costs. We recorded pre-tax charges of $3 million for the six months ended June 30, 2014 and made payments of $10 million during the six months ended June 30, 2014 for clean-up costs, which reduced our environmental liabilities. At certain sites, we have contractual

Table of Contents

agreements with certain other parties to share remediation costs. As of June 30, 2014, 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 are finalized.

*Other*

In June 2014. E.I. du Pont de Nemours and Company ( Du Pont ) commenced an action against Chemtura in the Superior Court, Connecticut. The Complaint alleges that Chemtura breached the representations contained in an asset purchase agreement entered into by the parties in December 2007 (the APA ) for the sale of Chemtura s fluorine chemical business and chemicals production unit at Chemtura s plant in El Dorado, Arkansas (the Fluorine Business ). The Complaint alleges that the Fluorine Business violated certain National Fire Protection Association codes in breach of the representations in the APA. The Complaint further alleges that several refrigeration units that were sold were leaking in violation of various regulations. Du Pont seeks indemnity under the APA. We intend to defend the case vigorously.

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. 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. Further, we believe that we have strong defenses to these claims. These claims have not had a material impact on us to date and we believe the likelihood that a future material adverse outcome will result from these claims is remote. However, we cannot be certain that an adverse outcome of one or more of these claims, to the extent not discharged in the Chapter 11 cases, would not have a material adverse effect on our financial condition, results of operations or cash flows.

**Guarantees**

In addition to the letters of credit of $15 million and $14 million outstanding at June 30, 2014 and December 31, 2013, respectively, we have guarantees that have been provided to various financial institutions. At June 30, 2014 and December 31, 2013, we had $15 million and $12 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.

We have applied the provisions of ASC Topic 460, *Guarantees* ( ASC 460 ), to our agreements that contain guarantee or indemnification clauses. We are a party to an agreement pursuant to which we may be obligated to indemnify a third party with respect to certain loan obligations of a joint venture company in which we had an equity interest. These obligations arose to provide initial financing for a joint venture start-up, fund an acquisition and/or provide project capital. Such obligations mature through May 2016. In the event that any of the joint venture companies were to default on these loan obligations, we would indemnify the other party up to its proportionate share of the obligation based upon its ownership interest in the joint venture. At June 30, 2014 and December 31, 2013, the maximum potential future principal and interest payments due under these guarantees were $2 million. In accordance with ASC 460, we have accrued less than $1 million in reserves, which represents the fair value of these guarantees at June 30, 2014 and December 31, 2013. The reserve has been included in other liabilities on our Consolidated Balance Sheet at June 30, 2014 and December 31, 2013 with an offset to other assets.

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

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

Table of Contents

**18) BUSINESS SEGMENT DATA**

We evaluate a segment s performance based on several factors, of which the primary factor is operating income (loss). In computing operating income (loss) by segment, the following items have not been deducted: (1) general corporate expense; (2) amortization; and (3) facility closures, severance and related costs. 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.

**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 mainly to distributors and retailers in the agricultural sector.

On April 16, 2014, we entered into a definitive agreement to sell our Chemtura AgroSolutions business to Platform. The transaction is subject to customary purchase price adjustments, closing conditions and regulatory approvals and is anticipated to close in the fourth quarter of 2014.

**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. Certain functional and other expenses that are managed company-wide that were allocated to the Antioxidant and Consumer Product businesses do not transfer directly under the sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings from discontinued operations, net of tax. These costs approximate \$4 million and \$11 million for the quarter and six months ended June 30, 2013, respectively. Additionally, our Corporate segment included \$2 million and \$5 million for the quarter and six months ended June 30, 2013, respectively, of amortization expense related directly to our Consumer Products business which has been included in earnings from discontinued operations, net of tax in our Consolidated Statement of Operations. Facility closures, severance and related costs are primarily for severance costs related to our cost savings initiatives.

**Discontinued Operations**

*Antioxidant Business*

In April 2013, we sold our Antioxidant business. Earnings and direct costs associated with the Antioxidant business have been presented as earnings from discontinued operations, net of tax for comparative periods. The Antioxidant business was formerly included in the Industrial Performance Product segment.

Table of Contents

*Consumer Products*

In December 2013, we sold our investment in legal entities dedicated to the Consumer Products business. Earnings and direct costs associated with Consumer Products business have been presented as earnings from discontinued operations, net of tax in our Consolidated Statements of Operations for comparative periods.

As a result, the Antioxidant and Consumer Products businesses have been excluded from the following segment information.

A summary of business data for our reportable segments for the quarters and six months ended June 30, 2014 and 2013 are as follows:

| (In millions) | Quarters ended June 30, 2014 | 2013 | Six months ended June 30, 2014 | 2013 |
|---|---|---|---|---|
| Net Sales | | | | |
| Petroleum additives | $ 183 | $ 182 | $ 354 | $ 351 |
| Urethanes | 76 | 72 | 152 | 144 |
| Industrial Performance Products | 259 | 254 | 506 | 495 |
| Bromine based & related products | 168 | 160 | 334 | 319 |
| Organometallics | 42 | 41 | 84 | 81 |
| Industrial Engineered Products | 210 | 201 | 418 | 400 |
| Chemtura AgroSolutions | 140 | 135 | 241 | 223 |
| Total net sales | $ 609 | $ 590 | $ 1,165 | $ 1,118 |

| (In millions) | Quarters ended June 30, 2014 | 2013 | Six months ended June 30, 2014 | 2013 |
|---|---|---|---|---|
| Operating Income | | | | |
| Industrial Performance Products | $ 26 | $ 31 | $ 53 | $ 60 |
| Industrial Engineered Products | 16 | 13 | 12 | 33 |
| Chemtura AgroSolutions | 36 | 32 | 58 | 45 |
| | 78 | 76 | 123 | 138 |
| General corporate expense, including amortization | (22) | (20) | (43) | (66) |
| Facility closures, severance and related costs | (4) | (11) | (6) | (25) |
| Total operating income | $ 52 | $ 45 | $ 74 | $ 47 |

Table of Contents

**19) GUARANTOR CONDENSED CONSOLIDATING FINANCIAL DATA**

Our obligations under the 2018 Senior Notes and 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 2018 Senior Notes and 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 June 30, 2014**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net sales | $ 609 | $ (531) | $ 376 | $ 110 | $ 654 |
| Cost of goods sold | 451 | (531) | 307 | 92 | 583 |
| Selling, general and administrative | 67 | | 36 | 4 | 27 |
| Depreciation and amortization | 25 | | 7 | 7 | 11 |
| Research and development | 10 | | 4 | 1 | 5 |
| Facility closures, severance and related costs | 4 | | | 1 | 3 |
| Operating income | 52 | | 22 | 5 | 25 |
| Interest expense | (11) | | (14) | | 3 |
| Other (expense) income, net | (2) | | (10) | | 8 |
| Reorganization items, net | (1) | | (1) | | |
| Equity in net earnings of subsidiaries | | (43) | 43 | | |
| Earnings from continuing operations before income taxes | 38 | (43) | 40 | 5 | 36 |
| Income tax benefit (expense) | 5 | | (1) | | 6 |
| Earnings from continuing operations | 43 | (43) | 39 | 5 | 42 |
| Loss on sale of discontinued operations, net of tax | (4) | | | (3) | (1) |
| Net earnings | $ 39 | $ (43) | $ 39 | $ 2 | $ 41 |

Table of Contents

**Condensed Consolidating Statement of Operations**

**Six months ended June 30, 2014**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net sales | $ 1,165 | $ (1,023) | $ 710 | $ 224 | $ 1,254 |
| Cost of goods sold | 887 | (1,023) | 590 | 191 | 1,129 |
| Selling, general and administrative | 127 | | 70 | 8 | 49 |
| Depreciation and amortization | 53 | | 13 | 15 | 25 |
| Research and development | 18 | | 7 | 3 | 8 |
| Facility closures, severance and related costs | 6 | | 2 | 1 | 3 |
| Operating income | 74 | | 28 | 6 | 40 |
| Interest expense | (23) | | (27) | | 4 |
| Other income (expense), net | 1 | | (10) | | 11 |
| Reorganization items, net | (1) | | (1) | | |
| Equity in net earnings of subsidiaries | | (56) | 56 | | |
| Earnings from continuing operations before income taxes | 51 | (56) | 46 | 6 | 55 |
| Income tax benefit (expense) | 2 | | (1) | | 3 |
| Earnings from continuing operations | 53 | (56) | 45 | 6 | 58 |
| Earnings from discontinued operations, net of tax | 1 | | 1 | | |
| Loss on sale of discontinued operations, net of tax | (9) | | (1) | (6) | (2) |
| Net earnings | $ 45 | $ (56) | $ 45 | $ | $ 56 |

**Condensed Consolidating Statement of Comprehensive Income**

**Quarter ended June 30, 2014**

*(in millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net earnings | $ 39 | $ (43) | $ 39 | $ 2 | $ 41 |
| Other comprehensive income, net of tax | | | | | |
| Foreign currency translation adjustments | 12 | | 2 | | 10 |
| Unrecognized pension and other post-retirement benefit costs | 3 | | 2 | | 1 |
| Comprehensive income | $ 54 | $ (43) | $ 43 | $ 2 | $ 52 |

**Condensed Consolidating Statement of Comprehensive Income**

**Six months ended June 30, 2014**

*(in millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net earnings | $ 45 | $ (56) | $ 45 | $ | $ 56 |
| Other comprehensive income (loss), net of tax | | | | | |
| Foreign currency translation adjustments | 6 | | 3 | | 3 |
| Unrecognized pension and other post-retirement benefit costs | 4 | | 7 | | (3) |
| Comprehensive income | $ 55 | $ (56) | $ 55 | $ | $ 56 |

Table of Contents

**Condensed Consolidating Balance Sheet**

**As of June 30, 2014**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets | $ 1,312 | $ | $ 410 | $ 108 | $ 794 |
| Intercompany receivables | | (7,723) | 2,899 | 2,522 | 2,302 |
| Investment in subsidiaries | | (6,709) | 1,453 | 1,135 | 4,121 |
| Property, plant and equipment | 717 | | 118 | 217 | 382 |
| Goodwill | 180 | | 93 | 3 | 84 |
| Other assets | 293 | | 126 | 40 | 127 |
| Total assets | $ 2,502 | $ (14,432) | $ 5,099 | $ 4,025 | $ 7,810 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Current liabilities | $ 408 | $ | $ 150 | $ 47 | $ 211 |
| Intercompany payables | | (7,723) | 3,125 | 2,804 | 1,794 |
| Long-term debt | 790 | | 765 | | 25 |
| Other long-term liabilities | 396 | | 151 | 51 | 194 |
| Total liabilities | 1,594 | (7,723) | 4,191 | 2,902 | 2,224 |
| Stockholders equity | 908 | (6,709) | 908 | 1,123 | 5,586 |
| Total liabilities and stockholders equity | $ 2,502 | $ (14,432) | $ 5,099 | $ 4,025 | $ 7,810 |

**Condensed Consolidating Statement of Cash Flows**

**Six months ended June 30, 2014**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Increase (decrease) to cash | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net earnings | $ 45 | $ (56) | $ 45 | $ | $ 56 |
| Adjustments to reconcile net earnings to net cash (used in) provided by operations: | | | | | |
| Loss on sale of discontinued operations | 9 | | 1 | 6 | 2 |
| Depreciation and amortization | 53 | | 13 | 15 | 25 |
| Stock-based compensation expense | 7 | | 7 | | |
| Changes in assets and liabilities, net | (146) | 56 | (63) | (16) | (123) |
| Net cash (used in) provided by operations | (32) | | 3 | 5 | (40) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from divestments, net of transaction costs | 16 | | (2) | 9 | 9 |
| Capital expenditures | (48) | | (7) | (14) | (27) |
| Net cash used in investing activities | (32) | | (9) | (5) | (18) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Payments on Term Loan | (110) | | (110) | | |
| Proceeds from other long-term borrowings | 14 | | | | 14 |
| Payments on other long-term borrowings | (2) | | (1) | | (1) |
| Payments on other short-term borrowings, net | (1) | | | | (1) |
| Common shares acquired | (157) | | (157) | | |
| Proceeds from the exercise of stock options | 6 | | 6 | | |
| Net cash (used in) provided by financing activities | (250) | | (262) | | 12 |
| CASH AND CASH EQUIVALENTS | | | | | |
| Effect of exchange rates on cash and cash equivalents | | | | | |
| Change in cash and cash equivalents | (314) | | (268) | | (46) |
| Cash and cash equivalents at beginning of period | 549 | | 317 | | 232 |
| Cash and cash equivalents at end of period | $ 235 | $ | $ 49 | $ | $ 186 |

Table of Contents

**Condensed Consolidating Statement of Operations**

**Quarter ended June 30, 2013**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net sales | $ 590 | $ (441) | $ 391 | $ 118 | $ 522 |
| Cost of goods sold | 444 | (441) | 343 | 96 | 446 |
| Selling, general and administrative | 53 | | 24 | 4 | 25 |
| Depreciation and amortization | 26 | | 7 | 12 | 7 |
| Research and development | 10 | | 4 | 2 | 4 |
| Facility closures, severance and related costs | 11 | | 6 | | 5 |
| Equity loss | 1 | | | | 1 |
| Operating income | 45 | | 7 | 4 | 34 |
| Interest expense | (15) | | (17) | | 2 |
| Other income (expense), net | 12 | | (6) | | 18 |
| Reorganization items, net | (1) | | (1) | | |
| Equity in net earnings of subsidiaries | | (26) | 26 | | |
| Earnings from continuing operations before income taxes | 41 | (26) | 9 | 4 | 54 |
| Income tax expense | (14) | | | | (14) |
| Earnings from continuing operations | 27 | (26) | 9 | 4 | 40 |
| Earnings from discontinued operations, net of tax | 26 | | 6 | 18 | 2 |
| Loss on sale of discontinued operations, net of tax | (146) | | (108) | | (38) |
| Net (loss) earnings | $ (93) | $ (26) | $ (93) | $ 22 | $ 4 |

**Condensed Consolidating Statement of Operations**

**Six months ended June 30, 2013**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| Net sales | $ 1,118 | $ (848) | $ 756 | $ 224 | $ 986 |
| Cost of goods sold | 862 | (848) | 640 | 187 | 883 |
| Selling, general and administrative | 111 | | 54 | 8 | 49 |
| Depreciation and amortization | 52 | | 14 | 23 | 15 |
| Research and development | 18 | | 7 | 4 | 7 |
| Facility closures, severance and related costs | 25 | | 12 | | 13 |
| Equity loss | 3 | | | | 3 |
| Operating income | 47 | | 29 | 2 | 16 |
| Interest expense | (31) | | (34) | | 3 |
| Other income (expense), net | 15 | | (5) | | 20 |
| Reorganization items, net | (1) | | (1) | | |
| Equity in net earnings of subsidiaries | | (1) | 1 | | |
| | 30 | (1) | (10) | 2 | 39 |

| | | | | | |
|---|---|---|---|---|---|
| Earnings (loss) from continuing operations before income taxes | | | | | |
| Income tax expense | (21) | | (1) | | (20) |
| Earnings (loss) from continuing operations | 9 | (1) | (11) | 2 | 19 |
| Earnings from discontinued operations, net of tax | 21 | | 3 | 16 | 2 |
| Loss on sale of discontinued operations, net of tax | (146) | | (108) | | (38) |
| Net (loss) earnings | $ (116) | $ (1) | $ (116) | $ 18 | $ (17) |

Table of Contents

**Condensed Consolidating Statement of Comprehensive Income (Loss)**

**Quarter ended June 30, 2013**

*(In millions)*

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

**Condensed Consolidating Statement of Comprehensive Income (Loss)**

**Six months ended June 30, 2013**

*(In millions)*

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

**Condensed Consolidating Balance Sheet**

**As of December 31, 2013**

*(In millions)*

| | Consolidated | Eliminations | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets | $ 1,525 | $ | $ 571 | $ 121 | $ 833 |
| Intercompany receivables | | (7,671) | 2,681 | 2,349 | 2,641 |
| Investment in subsidiaries | | (7,277) | 1,530 | 1,135 | 4,612 |
| Property, plant and equipment | 717 | | 121 | 215 | 381 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill | | 179 | | | | 93 | | 3 | | 83 |
| Other assets | | 283 | | | | 137 | | 44 | | 102 |
| Total assets | $ | 2,704 | $ | (14,948) | $ | 5,133 | $ | 3,867 | $ | 8,652 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | | | | | | |
| Current liabilities | $ | 484 | $ | | $ | 244 | $ | 39 | $ | 201 |
| Intercompany payables | | | | (7,671) | | 2,944 | | 2,583 | | 2,144 |
| Long-term debt | | 781 | | | | 764 | | | | 17 |
| Other long-term liabilities | | 440 | | | | 182 | | 54 | | 204 |
| Total liabilities | | 1,705 | | (7,671) | | 4,134 | | 2,676 | | 2,566 |
| Stockholders equity | | 999 | | (7,277) | | 999 | | 1,191 | | 6,086 |
| Total liabilities and stockholders equity | $ | 2,704 | $ | (14,948) | $ | 5,133 | $ | 3,867 | $ | 8,652 |

Table of Contents

**Condensed Consolidating Statement of Cash Flows**

**Six months ended June 30, 2013**

*(In millions)*

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

Table of Contents

**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 a U.S. based publicly traded specialty chemical company with global operations. We are dedicated to delivering innovative, application-focused specialty chemical solutions. We operate in a wide variety of end-use industries, including agriculture, automotive, building and construction, electronics, lubricants, packaging, industrial water 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 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 automotive, electronic component, industrial and polymer production, residential and commercial construction and miles driven, flown or sailed in transportation markets. In addition, our Chemtura AgroSolutions segment is influenced by worldwide weather, disease and pest infestation 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.

In April 2013, we sold our Antioxidant and UV Stabilizer business (the Antioxidant Sale ), including dedicated manufacturing plants in the U.S., France, and Germany, to affiliates of SK Capital Partners. Earnings and direct costs associated with the Antioxidant business have been presented as earnings from discontinued operations, net of tax for the comparative periods (for further discussion, see Note 2 Acquisitions and Divestitures in our Notes to Consolidated Financial Statements).

In December 2013, we sold our investment in the dedicated legal entities that constituted our Consumer Products business (the Consumer Products Sale ), including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. ( KIK ). Earnings and direct costs associated with the Consumer Products business have been presented as earnings (loss) from discontinued operations, net of tax for the current and comparative periods (for further discussion, see Note 2 Acquisitions and Divestitures in our Notes to Consolidated Financial Statements).

In April 2014, we entered into a Stock and Asset Purchase Agreement ( SAPA ) to sell our Chemtura AgroSolutions business to Platform Specialty Products Corporation ( Platform ) for approximately $1 billion, consisting of $950 million in cash and 2 million shares of Platform s common stock. The transaction is subject to customary purchase price adjustments, closing conditions and regulatory approvals and is anticipated to close in the fourth quarter of 2014. As a result of this signing, in April 2014 we meet the criteria to present the assets and liabilities that form part of the transaction under the SAPA as assets held for sale.

Under the terms of the SAPA, we will retain most of the property, plant and equipment used to manufacture products for the Chemtura AgroSolutions business and will continue to manufacture products for Platform under several supply agreements with minimum terms of between two and four years. Due to the significant gross cash flows associated with these supply agreements, the Chemtura AgroSolutions business does not meet the criteria to be presented as a discontinued operation. As a result, we will continue to present the results of operations of the Chemtura AgroSolutions business as one of our segments and continue to reflect the operations of the business as part of our continuing operations until sold. Following the sale, we will account for the supply agreements as part of our continuing operations.

We have evaluated the recoverability of the assets and liabilities of Chemtura AgroSolutions during the second quarter of 2014 and determined that no impairment existed.

Table of Contents

**SECOND QUARTER RESULTS**

**Overview**

Consolidated net sales for the second quarter of 2014 were $609 million or $19 million higher than the second quarter of 2013 driven by higher sales volume of $21 million and favorable foreign currency translation of $1 million, offset by lower selling prices of $3 million. Our Industrial Performance Products experienced improved volume in urethane products as a result of an increase in demand for industrial foam, general industrial and material production applications. Our Industrial Engineered Products segment saw volume growth led by a significant increase in the sales of our Emerald Innovation TM 3000 product as customers continue to switch to this greener alternative from the traditional HBCD flame retardant used in styrene based insulation foam applications. Chemtura AgroSolutions benefited in Latin America from a strong soybean market and growth in cultivated acreage as well as with favorable weather conditions in Europe. Industrial Performance Products saw a modest improvement in selling prices as compared with the second quarter of 2013 for our petroleum additive products which was almost fully offset by declines in urethane selling prices. Selling prices continue to remain weak in Industrial Engineered Products as a result of competitive pressures particularly in electronics applications and organometallic polymerization catalyst components. Chemtura AgroSolutions selling prices increased compared to the same quarter in 2013, but much of that gain was lost to the impact of unfavorable foreign exchange translation.

Gross profit for the second quarter of 2014 was $158 million, an increase of $12 million compared with the second quarter of 2013. Gross profit as a percentage of net sales increased to 26% for the second quarter of 2014 as compared with 25% for the second quarter of 2013. The increase in gross profit was due to favorable manufacturing costs and variances of $11 million, favorable sales volume and product mix changes of $6 million and a decrease in other net costs of $4 million, partly offset by higher raw material costs of $4 million, lower selling prices of $3 million and higher distribution costs of $2 million.

Selling, general and administrative ( SG&A ) expenses of $67 million were $14 million higher than the second quarter of 2013, primarily the result of costs associated with the sale of our Chemtura AgroSolutions business of $7 million, $2 million related to our investment in business initiatives in 2014 compared with 2013, $4 million related to the net effect of the absence of pension credits recorded in 2013 and pension income in 2014, $2 million in additional employee incentive program accruals and $1 million in additional bad debt reserves, offset partly by reductions in stranded costs associated with the sale of our Antioxidants and Consumer Products businesses.

Depreciation and amortization expense of $25 million was $1 million lower than the second quarter of 2013.

Research and development expense ( R&D ) was $10 million in the second quarters of 2014 and 2013.

Facility closures, severance and related costs were $4 million in the second quarter of 2014 compared with $11 million in the second quarter of 2013. During the first quarter of 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. During the second quarter of 2014, our Board approved the shutdown of our Adrian, MI facility, and management implemented further cost savings initiatives in line with the plan approved by the Board in 2013. The expense in 2014 and 2013 primarily related to the cost of severance and professional fees associated with these initiatives.

Interest expense was $11 million during the second quarter of 2014 which was $4 million lower than 2013, primarily as a result of our debt refinancing activities during the second half of 2013 and the repayment of $110 million of our Term Loan in January 2014.

Other expense, net was $2 million in the second quarter of 2014 compared with other income, net of $12 million in the second quarter of 2013. During the second quarter of 2013, we recognized a gain of $15 million related to the release of cumulative translation adjustments associated with the rationalization of certain European subsidiaries that are no longer required.

The tax benefit reported for the second quarter of 2014 was $5 million compared with expense of $14 million in the second quarter of 2013. The tax benefit reported for the second quarter of 2014 included a decrease in foreign income taxes of approximately $15 million related to an unrecognized tax benefit that had been recorded for an international jurisdiction in prior years. The tax benefit was recorded after reaching an agreement with the international jurisdiction that effectively settles the prior year liability. The tax expense reported in the second quarter of 2013 related to taxable income of certain of our international subsidiaries. In the second quarter of 2014, we continued to establish a valuation allowance against the tax benefits associated with our year-to-date U.S. losses. In the second quarter of 2013, we have offset our current quarter 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.

Table of Contents

Net earnings from continuing operations for the second quarter of 2014 were $43 million, or $0.46 per diluted share, as compared with $27 million, or $0.27 per diluted share, for the second quarter of 2013.

Earnings from discontinued operations, net of tax for the second quarter of 2013, was $26 million, or $0.26 per diluted share, which represents the Antioxidant and Consumer Products businesses.

Loss on sale of discontinued operations, net of tax for the second quarter of 2014, was $4 million, or $0.04 per diluted share, which primarily represented finalization of working capital adjustments, transaction costs and fees associated with the Consumer Products Sale. The loss on sale of discontinued operations, net of tax for the second quarter of 2013, was $146 million, or $1.46 per diluted share, related to the sale of the Antioxidant business. The loss in 2013 included $119 million of non-cash charges related to the release of accumulated other comprehensive loss ( AOCL ) associated with the pension obligations that were transferred, the release of cumulative translation adjustments and the release of our non-controlling interest in a joint venture.

The following is a discussion of the results of our segments for the second quarter ended June 30, 2014.

**Industrial Performance Products**

Our Industrial Performance Products segment reported an increase in net sales for the second quarter of 2014 compared with the same quarter of 2013. Sales volume increased primarily due to increased customer demand for our urethane products, particularly industrial foam, general industrial and material production applications and higher selling prices for our petroleum additive products which was partly offset by decreases in average selling prices for our urethane products. Increases in volume and pricing were offset by higher raw material costs, unfavorable manufacturing absorption variances at our plants in Europe and Asia and higher SG&A and R&D (collectively, SGA&R ) costs primarily associated with our investment in business excellence initiatives.

Net sales were $259 million in the second quarter of 2014, an increase of $5 million compared with the same period last year. The increase reflected $4 million in higher sales volume and $1 million from higher selling prices.

Operating income of $26 million in the second quarter of 2014 decreased $5 million compared with last year. Operating income reflected higher raw material costs of $7 million, unfavorable manufacturing costs and variances of $3 million, higher SGA&R costs of $3 million and accelerated depreciation of property, plant and equipment of $1 million, partly offset by the benefit of sales volume increases and product mix changes of $5 million, favorable foreign currency translation of $3 million and higher selling prices of $1 million.

**Industrial Engineered Products**

Our Industrial Engineered Products segment reported an increase in net sales and operating income for the second quarter of 2014. The increase in net sales is primarily the result of a significant increase in sales of our Emerald Innovation TM 3000 flame retardant as customers continue to switch to this greener alternative to the HBCD flame retardant traditionally used in styrene based insulation foams, some improvement in brominated products and a slight improvement in our tin-based specialty products offset by lower year-on-year selling prices as a result of competitive pressures, particularly in electronics applications and organometallic polymerization catalyst components. Operating income further benefited from favorable manufacturing costs and variances which was partly offset by an increase in raw material pricing and other costs.

Net sales increased by $9 million to $210 million for the second quarter of 2014 reflecting a $14 million increase in sales volume and $2 million from favorable foreign currency translation, partly offset by $7 million in lower selling prices.

Operating income of $16 million in the second quarter of 2014 increased $3 million compared with the same period last year. The increase reflected favorable manufacturing costs and variances of $11 million, partly offset by lower selling prices of $7 million and a net increase in other costs of $1 million.

**Chemtura AgroSolutions**

Our Chemtura AgroSolutions segment generated higher net sales and operating income for the second quarter of 2014 compared with the same quarter in 2013. Latin America reported strong demand for pest control products for the soybean market while Europe experienced overall favorable weather conditions compared to the prior year s wet growing season. We continue to see growth in cultivated acreage in Latin America which has increased the available market for our products.

Table of Contents

Operating income reflected the benefit of this favorable volume coupled with favorable raw material and manufacturing costs which were partly offset by increased SGA&R as a result of the increase in demand and the impact of unfavorable foreign exchange translation.

Net sales increased by $5 million to $140 million for the second quarter of 2014 from $135 million in the same quarter of 2013. The increase reflected $3 million in higher sales volume and $3 million in higher selling prices, partly offset by $1 million of unfavorable foreign currency translation.

Operating income increased $4 million to $36 million in the second quarter of 2014 compared with $32 million in the second quarter of 2013, reflecting higher selling prices of $3 million, lower manufacturing costs of $3 million and favorable sales volume and product mix changes of $2 million, partly offset by higher SGA&R of $2 million and unfavorable foreign currency translation of $2 million.

**Corporate**

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

Corporate expense was $22 million in the second quarter of 2014, which included amortization expense related to intangible assets and depreciation expense of $4 million. In comparison, corporate expense was $20 million in the second quarter of 2013, which included amortization expense related to intangible assets and depreciation expense of $5 million. The increase is primarily due to $7 million of costs associated with the sale of the Chemtura AgroSolutions business and increases in employee benefit and incentive program accruals offset by a reduction in stranded costs related to the sale of the Antioxidant and Consumer Products businesses and one-time charges for environmental costs in 2013.

Certain functional and other expenses that are managed company-wide are allocated to our segments. The portion of such costs allocated to the Antioxidant and Consumer Products businesses did not transfer directly under the respective sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. Costs related to the Antioxidant business were eliminated during the first half of 2013 such that there was no expense in the second quarter of 2014 and were $2 million for the second quarter of 2013. Costs related to the Consumer Products business were less than $1 million and $2 million for the second quarters of 2014 and 2013, respectively. Additionally, our Corporate segment had included $2 million for the second quarter 2013 of amortization expense related directly to our Consumer Products business which has now been presented in earnings (loss) on discontinued operations, net of tax in our Consolidated Statement of Operations for that period.

**YEAR TO DATE RESULTS**

**Overview**

Consolidated net sales for the six months ended June 30, 2014 were $1,165 million or $47 million higher than the six months ended June 30, 2013 driven by higher sales volume of $52 million, offset by lower selling prices of $4 million and unfavorable foreign currency translation of $1 million.  All of our segments continued to experience volume growth over the past six months of 2014 compared with the same period in 2013.  Industrial Engineered Products segment saw volume growth led by a significant increase in the sales of our Emerald Innovation TM 3000 product as customers switch to this greener alternative flame retardant from the traditional HBCD flame retardant used in styrene based insulation foam applications.  Chemtura AgroSolutions benefited in Latin America from a strong soybean market and the expansion of cultivated acreage.  In North America in the early part of the year we saw increased demand for acaricides and then saw favorable weather conditions in Europe toward the end of the first half of 2014.  Industrial Performance Products reported the majority of the volume increase in urethane products driven by increased demand in industrial foam, mining and material production applications.  We lost some of the benefit of the increased volume in lower average selling prices in our Industrial Engineered Products segment, particularly in our electronics applications and organometallic polymerization catalyst components.  Increases in average selling prices in our Chemtura AgroSolutions segment were almost completely offset by the impact of unfavorable foreign currency translation.

Gross profit for the six months ended June 30, 2014 was $278 million, an increase of $22 million compared with the six months ended June 30, 2013.  Gross profit as a percentage of net sales increased to 24% for the six months ended June 30, 2014 as compared with 23% for the six months ended June 30, 2013.  The increase in gross profit was due to the absence of a $21 million environmental reserve adjustment recorded in 2013 for a legacy non-operating site in France and favorable sales

Table of Contents

volume and product mix changes of $22 million, partly offset by unfavorable manufacturing costs and variances of $10 million, higher distribution costs of $5 million, lower selling prices of $4 million and an increase in other net costs of $2 million.

SG&A expenses of $127 million were $16 million higher than the six months ended June 30, 2013, primarily the result of costs associated with the sale of our Chemtura AgroSolutions business of $11 million, an additional $3 million related to our investment in business initiatives in 2014 compared with 2013, $2 million related to the net effect of the absence of pension credits recorded in 2013 and pension income in 2014 and $2 million in additional bad debt reserves, offset partly by reductions in stranded costs associated with the sale of our Antioxidants and Consumer Products businesses.

Depreciation and amortization expense of $53 million was $1 million higher than the six months ended June 30, 2013, primarily due to accelerated depreciation of property, plant and equipment in 2014.

R&D was $18 million in the six months ended June 30, 2014 and 2013.

Facility closures, severance and related costs were $6 million in the six months ended June 30, 2014 compared with $25 million in the six months ended June 30, 2013. During the first quarter of 2013, our Board approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to ongoing strategic initiatives. During the second quarter of 2014, our Board approved the shutdown of our Adrian, MI facility, and management implemented further cost savings initiatives in line with the plan approved by the Board in 2013. The expense in 2014 and 2013 primarily related to the cost of severance and professional fees associated with these initiatives.

Interest expense was $23 million during the six months ended June 30, 2014 which was $8 million lower than 2013, primarily as a result of our debt refinancing activities during the second half of 2013 and the repayment of $110 million of our Term Loan in January 2014.

Other income, net was $1 million in the six months ended June 30, 2014 compared with $15 million in the six months ended June 30, 2013. During 2013, we recognized a gain of $15 million related to the release of cumulative translation adjustments associated with the rationalization of certain European subsidiaries that are no longer required.

The income tax benefit in the six months ended June 30, 2014 was $2 million compared with expense of $21 million in the six months ended June 30, 2013. The tax benefit reported for 2014 included a decrease in foreign income taxes of approximately $15 million related to an unrecognized tax benefit that had been recorded for an international jurisdiction in prior years. The tax benefit was recorded after reaching an agreement with the international jurisdiction that effectively settles the prior year liability. The tax expense reported in 2013 related to taxable income of certain of our international subsidiaries. In the six months ended June 30, 2014, we established a valuation allowance against the tax benefits associated with our year-to-date U.S. losses. In the six months ended June 30, 2013, we have offset our current 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.

Net earnings from continuing operations for the six months ended June 30, 2014 were $53 million, or $0.55 per diluted share, as compared with $9 million, or $0.09 per diluted share, for the six months ended June 30, 2013.

Earnings from discontinued operations, net of tax for the six months ended June 30, 2014, was $1 million, or $0.01 per diluted share, as compared with $21 million, or $0.21 per diluted share, for the six months ended June 30, 2013. Discontinued operations comprise the Antioxidant and Consumer Products businesses.

Loss on sale of discontinued operations, net of tax for the six months ended June 30, 2014, was $9 million, or $0.09 per diluted share, which represented the finalization of the working capital adjustment related to the sale of the Antioxidant business coupled with the finalization of working capital adjustments, transaction costs and fees associated with the Consumer Products Sale. The loss on sale of discontinued operations, net of tax for six months ended June 30, 2013, was $146 million, or $1.47 per diluted share, related to the sale of the Antioxidant business. The loss in 2013 included $119 million of non-cash charges related to the release of AOCL associated with the pension obligations that were transferred, the release of cumulative translation adjustments and the release of our non-controlling interest in a joint venture.

The following is a discussion of the results of our segments for the six months ended June 30, 2014.

Table of Contents

**Industrial Performance Products**

Our Industrial Performance Products segment reported an increase in net sales for the six months ended June 30, 2014 compared with the same period in 2013. While our urethane products saw an increase in demand, particularly in industrial foam, mining and material production applications, we experienced some decrease in average selling prices related to product mix. Products in our petroleum additives line benefited from higher selling prices with relatively stable volume compared with the same six months of 2013. The benefit of the increase in net sales was not sufficient to offset higher raw material, manufacturing, distribution, accelerated depreciation and SGA&R costs. Higher SGA&R costs are primarily associated with investment in our business excellence initiatives.

Net sales were $506 million in the six months ended June 30, 2014, an increase of $11 million compared with the same period last year. The increase reflected $9 million in higher sales volume and $2 million from favorable foreign currency translation.

Operating income of $53 million in the six months ended June 30, 2014 decreased $7 million compared with last year. Operating income reflected unfavorable manufacturing costs and variances of $7 million, higher raw material costs of $6 million, accelerated depreciation of property, plant and equipment of $4 million and higher SGA&R costs of $5 million, partly offset by the benefit of sales volume increases and product mix changes of $11 million and favorable foreign currency translation of $4 million.

**Industrial Engineered Products**

Our Industrial Engineered Products segment reported an increase in net sales for the six months ended June 30, 2014, primarily due to a significant increase in demand for our Emerald Innovation TM 3000 product as customers switch to this greener alternative to the traditional HBCD flame retardant styrene based insulation foam applications and an increase in tin-based specialty products which was partly offset by overall lower average selling prices. Lower overall average selling prices are primarily the result of competitive market pressures particularly in our electronics applications and organometallic polymerization catalyst components. While the segment showed an overall improvement in net sales, unfavorable product mix, higher raw material costs and increased inventory reserves eroded those gains. The additional excess and lower of cost and market inventory reserves recorded in the first quarter of 2014 primarily related to the reduced demand and lower prices for the HBCD brominated flame retardant used in insulation foam applications.

Net sales increased by $18 million to $418 million for the six months ended June 30, 2014 reflecting a $27 million increase in sales volume and $2 million from favorable foreign currency translation, partly offset by $11 million in lower selling prices.

Operating income of $12 million in the six months ended June 30, 2014 decreased $21 million from $33 million in the six months ended June 30, 2013. The decrease reflected lower selling prices of $11 million, unfavorable manufacturing costs and variances of $6 million and a net increase in other costs of $4 million.

**Chemtura AgroSolutions**

Our Chemtura AgroSolutions segment generated higher net sales and operating income for the six months ended June 30, 2014 compared with the same period in 2013. Chemtura AgroSolutions experienced strong demand in Latin America due both to a high level of demand for pest control in the soybean market and the growth in cultivated acreage In North America in the early part of the year, we benefited from an increased demand for acaricides and then saw favorable weather conditions in Europe toward the end of the first half of 2014. Operating income reflected the benefit of favorable volume and product mix changes and lower raw material and manufacturing costs offset by higher SGA&R and the impact of unfavorable foreign currency translation.

Net sales increased by $18 million to $241 million for the six months ended June 30, 2014 from $223 million in the same period of 2013. The increase reflected $16 million in higher sales volume and $7 million in higher selling prices, partly offset by $5 million of unfavorable foreign currency translation.

Operating income increased $13 million to $58 million in the six months ended June 30, 2014 compared with $45 million in the six months ended June 30, 2013, reflecting favorable sales volume and product mix changes of $13 million, higher selling prices of $7 million and lower manufacturing costs of $3 million, partly offset by higher SGA&R of $4 million, unfavorable foreign currency translation of $4 million and an increase in other costs of $2 million.

**Corporate**

Included in corporate 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

Table of Contents

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

Corporate expense was $43 million in the six months ended June 30, 2014, which included amortization expense related to intangible assets and depreciation expense of $8 million. In comparison, corporate expense was $66 million in the six months ended June 30, 2013, which included amortization expense related to intangible assets and depreciation expense of $10 million. The decrease is primarily due to a $21 million environmental reserve adjustment recorded in 2013 for a legacy non-operating site in France and a reduction in stranded costs related to the sale of the Antioxidant and Consumer Products businesses, offset by $11 million of costs associated with the sale of the Chemtura AgroSolutions business.

Certain functional and other expenses that are managed company-wide are allocated to our segments. The portion of such costs allocated to the Antioxidant and Consumer Products businesses did not transfer directly under the respective sale agreements. As such, in historic periods these costs are shown as part of continuing operations in the corporate segment and not included under earnings (loss) from discontinued operations, net of tax. Costs related to the Antioxidant business were eliminated during the first half of 2013 such that there was no expense in the six months ended June 30, 2014 and were $6 million for the six months ended June 30, 2013. Costs related to the Consumer Products business were less than $1 million and $5 million for the six months ended June 30, 2014 and 2013, respectively. Additionally, our Corporate segment had included $5 million for the six months ended June 30, 2013 of amortization expense related directly to our Consumer Products business which is presented in earnings (loss) on discontinued operations, net of tax in our Consolidated Statement of Operations for each period.

**LIQUIDITY AND CAPITAL RESOURCES**

We believe that our cash flow from operations, borrowing capacity under our U.S. and international credit facilities and our current cash and cash equivalents provide sufficient liquidity to maintain our current operations and capital expenditure requirements, repurchase shares of our common stock under our share repurchase program, service our debt and pursue other strategic initiatives.

During 2013, we took steps to increase our liquidity and provide additional operating flexibility under our debt covenants through our refinancing actions. The sale of our Antioxidants and Consumer Products businesses provided additional liquidity and allowed us to further reduce our Term Loan by $110 million in January 2014 and repurchase 6.5 million shares of our common stock at a cost of $157 million under our share repurchase program. We anticipate using the remaining proceeds to sustain our investments in enabling the continued growth of our remaining businesses and continuing to make purchases under our share repurchase program. We implemented restructuring programs to eliminate stranded costs associated with the sale of our Antioxidants and Consumer Products businesses as well as reduce costs in our remaining businesses. The following is a discussion of significant factors affecting our liquidity and use of capital resources.

**Financing Facilities**

Our financing facilities are comprised of public debt, several loans and a revolving line of credit.

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

In 2011, we registered $455 million aggregate principal amount of 7.875% Senior Notes due 2018 (the 2018 Senior Notes ) which we used to exchange identical notes issued in a private placement offering under Securities and Exchange Commission ( SEC ) Rule 144A in 2010. In July 2013, we repurchased $354 million of the $455 million 2018 Senior Notes with proceeds from the 2021 Senior Notes offering. The repurchase was undertaken through a tender offer which also eliminated substantially all of the restrictive covenants as well as certain events of default and related provisions contained in the 2018 Senior Notes indenture.

In August 2010, we also 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. On October 31, 2012, we exercised the accordion feature of our Term Loan and borrowed an additional $125 million. In October 2013, we entered into an amendment of our Term Loan (the Amendment ) which provided, among other things; (i) reduced the interest rate and LIBOR floor on the term loans outstanding under the Term Loan agreement (the term loans ), (ii) provided for a 1% prepayment premium if the term loans are refinanced with certain specified refinancing debt within 6 months, (iii) introduced scheduled quarterly amortization of the term loans in the amount of 1% annually, and (iv) permitted additional flexibility under certain of our operating covenants (including but not limited to additional flexibility for debt, investments, restricted payments and dispositions) in the Term Loan agreement. During 2013, we repaid $102 million of the Term Loan with proceeds from the 2021 Senior Notes offering and cash on hand.  In January 2014, we repaid an additional $110 million of the Term Loan with proceeds from the Consumer Products Sale.

In December 2013, we amended and restated our existing senior secured revolving credit facility available through 2015 (the ABL Facility ). The new five-year senior secured revolving credit facility available through 2018 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.

At June 30, 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 June 30, 2014, we had approximately $238 million of undrawn availability under the 2018 ABL Facility.

These financing 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.  As of June 30, 2014, we were in compliance with the covenant requirements of these financing facilities.

We have a 5 year secured credit facility of CNY 250 million (approximately $40 million) available through December 2017 (the China Bank Facility ) with Agricultural Bank of China, Nantong Branch ( ABC Bank ).  The China Bank Facility is being 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 June 30, 2014, we had borrowings of $28 million under the China Bank Facility.  Repayments of principal will be made in semi-annual installments from December 2014 through December 2017.

In March 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 is to be repaid in equal monthly installments over its term.

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

**Share Repurchase Program**

In November 2013, our Board of Directors (the Board ) authorized an increase in our share repurchase program to $291 million and extended the program through November 9, 2014.  In May 2014, the Board authorized a further increase in the share repurchase program by $100 million, up to $391 million in the aggregate when combined with the November 2013 authorization, of which $139 million remained as of June 30, 2014. The shares are expected to be repurchased from time to time through open market purchases.  The program, which does not obligate us to repurchase any particular amount of common stock, may be modified or suspended at any time at the Board s discretion.  The manner, price, number and timing of such repurchases, if any, will be subject to a variety of factors, including market conditions and the applicable rules and regulations of the SEC. We repurchased 6.5 million shares of our common stock under our share repurchase program at a cost of $157 million during the six months ended June 30, 2014. From the inception of the share repurchase program in October 2011 through June 30, 2014, we have repurchased 12.4 million shares of our common stock at a cost of $252 million.

**Consumer Products Divestiture**

In December 2013, we sold our investment in the dedicated legal entities that constituted our Consumer Products business, including dedicated manufacturing plants in the U.S. and South Africa, to KIK Custom Products Inc. ( KIK ) for $300 million and the assumption by KIK of pension and other liabilities totaling approximately $8 million. The purchase price was subject to customary post-closing adjustments, primarily for working capital and assumed pension liabilities. The agreement specified a value of working capital based upon a twelve-month average against which working capital would be measured. To the extent working capital at closing was lower than this value, KIK would be compensated for the difference. If working capital was higher, we would be compensated. The impact of some of these adjustments was estimated in the cash paid at closing. In March 2014, KIK made an advance payment of $9 million ahead of the final adjustments. In July 2014, the parties reached agreement on the post-closing working capital and indebtedness adjustments that resulted in a charge of $3 million pre-tax ($3 million after tax) recognized in loss on sale of discontinued operations, net of tax in our Consolidated Statement of Operations. The remaining payment of $5 million due from KIK was received in July 2014.

Table of Contents

In connection with the sale, we entered into a supply contract with KIK to supply products from our Adrian, MI facility. Under the terms of the supply contract, KIK had the option, exercisable for a period of six-months following the closing date, to purchase the net assets of the Adrian facility at a price that is below the carrying value of the net assets. Accordingly, we concluded the net assets of the Adrian facility met the criteria to be classified as assets held for sale and we recorded an impairment charge in December 2013 of $7 million to write-down the property, plant and equipment to its fair value less costs to sell. The option expired un-exercised as of June 30, 2014 and the assets are now classified as held and used in both the current and prior periods. In June 2014, as a result of KIK not exercising its option to purchase the net assets of the Adrian, MI facility, the Board approved the closure of this facility, which is expected to occur in mid-2015. See Note 3 - Restructuring and Asset Impairment in our Notes to Consolidated Financial Statements.

During the six months ended June 30, 2014, we recognized a pre-tax loss of $7 million ($7 million after-tax) primarily for transaction costs and post-closing adjustments and obligations which is included in loss from sale of discontinued operations, net of tax in our Consolidated Statement of Operations.

Earnings and direct costs associated with the Consumer Products business for the periods prior to the date of sale have been presented as earnings (loss) from discontinued operations, net of tax for the comparative periods.

For further discussion of the Consumer Products sale, see Note 2 - Acquisitions and Divestitures in our Notes to Consolidated Financial Statements.

**Antioxidant Divestiture**

In April 2013, we completed the sale of our Antioxidant business to SK Blue Holdings, Ltd. ( SK ) and Addivant USA Holdings Corp. ( Addivant ) for $97 million in cash, $9 million in preferred stock issued by Addivant, and the assumption by SK and Addivant of pension, environmental and other liabilities totaling approximately $91 million. Additionally, we paid $2 million in cash considerations as part of a pre-closing adjustment. The agreement provided for a working capital adjustments to be determined after the initial sale. In the six months ended June 30, 2014, we recognized a pre-tax loss of $2 million ($2 million after-tax) primarily related to the final settlement of the working capital adjustment. We received the final payment for the remaining working capital adjustment of $4 million in March 2014.

Included as part of the consideration, we received 9.2 million shares of Series A Preferred Stock of Addivant with a face value of $9 million. These shares accrue dividends at escalating rates beginning at 7% in the first year and up to 11% in the third year and beyond which are payable upon declaration and which become preferential payments in liquidation if not declared and paid by Addivant. Addivant did not declare any dividends through June 30, 2014.

In connection with the sale, we entered into several ancillary agreements, including supply agreements, a distribution agreement and a transition services agreement.

Earnings and direct costs associated with the Antioxidant business for the periods prior to the date of sale have been presented as earnings (loss) from discontinued operations, net of tax for the comparative periods.

For further discussion of the Antioxidant sale, see Note 2 Acquisitions and Divestitures in our Notes to Consolidated Financial Statements.

**Solaris Acquisition**

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

Table of Contents

**Chemtura AgroSolutions**

In April 2014, we entered into a Stock and Asset Purchase Agreement to sell our Chemtura AgroSolutions business to Platform Specialty Products Corporation ( Platform ) for approximately $1 billion, comprising $950 million in cash and 2 million shares of Platform s common stock. The transaction is subject to customary purchase price adjustments, closing conditions and regulatory approvals and is anticipated to close in the fourth quarter of 2014.

**Restructuring Initiatives**

In June 2014, as a result of KIK not exercising its option to purchase the net assets of the Adrian, MI facility, the Board approved the closure of this facility, which is expected to occur around mid-2015. Additionally, during the second quarter of 2014, our management approved further actions to consolidate our business organizational structure, which are in line with the restructuring actions approved by the Board in 2013. We expect the total cost of these initiatives to be approximately $7 million to $9 million, of which we recorded a pre-tax charge of $4 million in the second quarter of 2014, which included $3 million for severance and related costs and $1 million for accelerated asset retirement obligations related to the Adrian facility. We expect to incur the remaining costs primarily for decommissioning and accelerated depreciation over the next year.

In February 2013, our Board approved a restructuring plan providing for, among other things, actions to reduce stranded costs related to divestitures. This plan is expected to preserve pre-divestiture operating margins following our portfolio changes. On October 9, 2013, the Board approved additional restructuring actions to consolidate our business organizational structure in an effort to streamline the organization and gain efficiencies and additional cost savings. In December 2013, we substantially completed employee communications and the consultation process regarding the closure of our Droitwich, UK facility and consolidation of those operations into our Perth Amboy, NJ facility, in order to improve our competitiveness in the current economic environment. We recorded a pre-tax charge of $44 million in the year ended December 31, 2013, which included $27 million for severance and related costs, $15 million for professional fees, $1 million for accelerated depreciation of property, plant and equipment, and $1 million for accelerated asset retirement obligations. We recorded a pre-tax charge of $5 million in the first quarter of 2014 which included $1 million for severance and related costs, $1 million related to professional fees, and $3 million for accelerated depreciation of property, plant and equipment. We recorded a pre-tax charge of $2 million in the second quarter of 2014 which included $1 million for severance and professional fees and $1 million for accelerated depreciation of property, plant and equipment. We expect to incur approximately $2 million to $3 million for the remainder of 2014 primarily for accelerated depreciation and decommissioning costs.

In April 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. In 2013, we recorded an additional pre-tax charge of $1 million, primarily for accelerated depreciation and relocation costs related to the Pedrengo closure. All charges related to the Pedrengo closure have been included in loss from discontinued operations, net of tax, as this plant formed part of our Antioxidants business. The Pedrengo plant ceased operations on March 31, 2013 and asset retirement work has been substantially completed. We have retained this property under the terms of the sale of the Antioxidants business and anticipate selling it after all decommissioning and remediation work is completed.

**Cash Flows from Operating Activities**

Net cash used in operating activities was $32 million for the six months ended June 30, 2014 compared to net cash used in operating activities of $77 million in the same period last year.  Changes in key working capital accounts are summarized below:

| **Favorable (unfavorable)** | **Six months ended** | |
|---|---|---|
| **(In millions)** | **June 30, 2014** | **June 30, 2013** |
| Accounts receivable | $ (105) | $ (147) |
| Inventories | (6) | (60) |
| Accounts payable | 17 | 74 |
| Pension and post-retirement health care liabilities | (25) | (28) |

During the six months ended June 30, 2014, accounts receivable increased in all segments by $105 million over December 31, 2013.  Chemtura AgroSolutions   increase in accounts receivable was the result of typical seasonal increase in demand for pest control during the current growing seasons, particularly in North America and Europe.  Additionally, our Industrial Engineered segment accounts receivable increase was due primarily as a result of the increase in net sales during the second quarter of 2014. The Industrial Performance segment showed some increase in accounts receivable driven primarily by the favorable volume growth in this segment mainly in the North American and European regions. Inventory increased by $6 million over December 31, 2013 primarily driven by our Chemtura AgroSolutions segment which continues to build inventory for the current growing season based upon the increase in demand particularly in Latin America. In addition, our Industrial Performance segment reported an increase in inventory from December 31, 2013 as a result of plant shutdowns at the end of the year which reduced inventory levels. Further increases in inventory of our Industrial Performance Products segment from December 2013 are due to higher raw material pricing and some build of inventory to support increased demand. These increases were offset by a reduction in inventory in our Industrial Engineered segment primarily for brominated flame retardants products coupled with the release of capitalized unfavorable variances during the first six months of 2014. Accounts payable increased by $17 million in the six months ended June 30, 2014 primarily relating to our Chemtura AgroSolutions segment coupled with increases in our Industrial Engineered Products segment. Increases in the Chemtura AgroSolutions segment are the result of the building of inventory to meet customer demand while the increase in Industrial Engineered Products segment is the result of the increase in net sales. Pension and post-retirement health care liabilities decreased $25 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to $25 million for the six months ended June 30, 2014 which included $7 million for domestic plans and $18 million for international plans.

Cash flows from operating activities in the current year benefited from not having the seasonal draw on working capital related to the Consumer Products business which was sold in 2013.

Cash flows from operating activities for the six months ended June 30, 2014 were adjusted by the impact of certain non-cash and other charges. Non-cash charges included depreciation and amortization expense of $53 million, loss on sale of discontinued operations of $9 million and stock-based compensation expense of $7 million.

During the six months ended June 30, 2013, accounts receivable increased by $147 million over December 31, 2012 primarily driven by our Consumer Products and Chemtura AgroSolutions segments as a result of typical seasonal increase in demand as suppliers initially begin stocking for the upcoming pool and growing seasons in the North America and Europe. Additionally, our Industrial Performance segment showed some increase in accounts receivable driven entirely by the favorable volume growth this segment experienced in the past several months. Inventory increased by $60 million over December 31, 2012 primarily as a result of seasonal inventory build in our Consumer Products segment. Industrial Performance Products reported some increase in inventory to support increased demand while our Industrial Engineered segment built inventory due to the reduction in demand and product mix we saw over the first half of the year. Accounts payable increased by $74 million in the six months ended June 30, 2013 primarily relating to our Consumer Products, Chemtura AgroSolutions and Industrial Performance Product segments as a result of the seasonal demand required inventory build. Pension and post-retirement health care liabilities decreased $28 million primarily due to the funding of benefit obligations. Pension and post-retirement contributions amounted to $22 million for the six months ended June 30, 2013 which included $7 million for domestic plans and $15 million for international plans.

Cash flows from operating activities for the six months ended June 30, 2013 were adjusted by the impact of certain non-cash and other charges. Non-cash charges included the loss on the sale of the Antioxidant business, release of cumulative currency translation adjustments related to the liquidation of certain wholly owned entities, depreciation and amortization expense and stock-based compensation expense.

**Cash Flows from Investing and Financing Activities**

*Investing Activities*

Net cash used in investing activities was $32 million for the six months ended June 30, 2014. Investing included capital expenditures of $48 million for U.S. and international facilities and environmental and other compliance requirements. Also included in investing activities was $9 million from the collection of the final installment on a receivable from the sale of our 50% interest in Tetrabrom Technologies Ltd in 2011 and adjusted proceeds from the Consumer Products Sale, net of transaction costs, of $3 million and $4 million in proceeds related to the post-closing working capital adjustment under the Antioxidant Sale.

Net cash provided by investing activities was $1 million for the six months ended June 30, 2013. Investing activities included proceeds from our Antioxidant Sale net of transaction costs and cash transferred of $81 million and $10 million from the collection on a receivable from the sale of our 50% interest in Tetrabrom Technologies Ltd in 2011. Investing activities also included capital expenditures of $87 million for U.S. and international facilities, primarily related to capital projects at our

Table of Contents

Nantong, China and Ankerweg, The Netherlands facilities which were substantially completed throughout 2013, and environmental and other compliance requirements along with $3 million for the acquisition of the remaining interest in our DayStar joint venture.

*Financing Activities*

Net cash used in financing activities was $250 million for the six months ended June 30, 2014. Financing activities primarily included the repayment of $110 million in principal of the Term Loan as well as the repurchase of 6.5 million shares of our common stock under our share repurchase program at a cost of $157 million. Other financing sources in the period were borrowings for capital improvements related to our new facility in Nantong, China of $13 million and proceeds from the exercise of stock options of $6 million.

Net cash provided by financing activities was $22 million for the six months ended June 30, 2013, which included $13 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.

**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 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, 2014, the Bankruptcy Court has entered orders granting final decrees closing all of the Debtors Chapter 11 cases.

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

**Contractual Obligations and Other Cash Requirements**

During the six months ended June 30, 2014, we made aggregate contributions of $19 million to our U.S. and international pension plans and $6 million to our post-retirement benefit plans.  Based on the minimum amounts required by law or contractual obligation, we will make approximately $10 million of contributions to these plans during the remainder of 2014.  We may elect to make additional discretionary cash contributions to our U.S. qualified plans as deemed appropriate.

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) between 2011 and 2014.  The final contribution of £8 million ($12 million) was made in the first quarter of 2014.  The agreements also provided for the granting of both a security interest and a guarantee to support certain of the liabilities under the UK Pension Plan.

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

We had net liabilities related to unrecognized tax benefits of $39 million at June 30, 2014.  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 June 30, 2014, we have guarantees that have been provided to various financial institutions. At June 30, 2014, we had $15 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.

**Other Sources and Uses of Cash**

In 2014, we expect to finance our continuing operations and capital spending requirements with cash flows provided by operating activities, available cash and cash equivalents, the 2018 ABL Facility and the China Bank Facility. We anticipate that a substantial portion of the proceeds from the Consumer Products Sale and potential sale of the Chemtura AgroSolutions business would be used to return capital to shareholders and continue to sustain investment to strengthen and enable the continuing growth of our remaining businesses, as well as pay down debt to maintain pro-forma leverage. Our long-term stated total leverage target remains approximately 2X Adjusted EBITDA. For the definition of Adjusted EBITDA, see our 2013 Annual Report on Form 10-K, Item7: Management s Discussion and Analysis of Financial Condition and Results of Operations. Cash and cash equivalents as of June 30, 2014 were $235 million.

**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 or product lines. We have established strategic and financial criteria against which we assess whether to invest in the expansion of a business, operation or product line, as well as to determine which portfolio businesses may, at an appropriate time, be monetized. As part of these assessments, we also review our manufacturing and facility footprints to determine if we should consolidate or close facilities to optimize customer supply and reduce our unit product costs. 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.

In 2013, we divested our Antioxidants business and our Consumer Products segment. These were the two businesses in our portfolio that, in our judgment, were unlikely to meet the financial and strategic performance criteria we had set for our Company. Their sale will aid us in improving percentage margins, sales growth rates and increase focus on our chosen markets and regions.

On April 16, 2014, we entered into a Stock and Asset Purchase Agreement to sell our Chemtura AgroSolutions business to Platform for approximately $1 billion, consisting of $950 million in cash and 2 million shares of Platform s common stock. This divestiture will position us to deliver substantial near-term value to shareholders and further focusing on opportunities to create additional value as a pure-play leader in the global development, marketing, manufacture and sale of industrial specialty chemicals.

We are conducting an ongoing review of our manufacturing and facility footprint to determine if we should consolidate or close facilities to optimize customer supply and reduce our unit product costs.  In December 2013, we announced, after a consultation process, our intent to close our Droitwich, UK facility and transfer its production to our Perth Amboy, NJ facility.  In June 2014, as a result of KIK not exercising its option to purchase the net assets of the Adrian, MI facility, the Board approved the closure of this facility, which is expected to occur around mid-2015.  It is anticipated that additional plant closures may be announced in the future as part of this footprint review process.

**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 2013 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 six months ended June 30, 2014.

Table of Contents

**OUTLOOK**

We remain committed to grow revenues, expand profitability margins and improve cash flows through our focus on growth from innovation and faster growing regions as well as continuous improvement actions to reduce operating costs. We have eliminated the stranded costs associated with the Antioxidant and Consumer Products businesses which we sold in 2013. In January 2014, we repaid an additional $110 million of our Term Loan and we have repurchased 6.5 million shares of our common stock at a cost of $157 million during the six months ended June 30, 2014. These actions are designed to deliver value to our shareholders and contribute to improving our return on invested capital.

In the second quarter, we gained momentum and delivered year-on-year improvement in net sales and profitability, led by our Industrial Engineered Products segment. However, the rate of performance improvement of this segment year-to-date has been constrained by the manufacturing variance headwinds it faced at the start of the year and is now constrained by weak pricing conditions in electronics applications and excess industry capacity in certain organometallics. We are actively exploring how we may improve performance in organometallics. Nevertheless this segment will still deliver year-on-year improvement in the second half of 2014, benefiting from customers continuing to switch to our Emerald Innovation TM 3000 product from the traditional HBCD flame retardant used in styrene based insulation foams. Our Industrial Performance Products expects to improve its performance as the second half of 2014 progresses and deliver year-on-year improvement for the 2014 calendar year, positioning the segment for further improvement in 2015. Our Chemtura AgroSolutions segment continues to perform strongly, but it will be much harder for them to exceed the strong performance levels of the second half of 2013. Corporate expense will continue to track lower than in 2013 primarily due to the benefit of having eliminated the stranded costs of the Antioxidants and Consumer Products businesses. Taking these factors into consideration we still expect to deliver year-over year improvement in net sales and profitability for the calendar year of 2014.

The announced sale of our Chemtura AgroSolutions business will accelerate our ability to deliver significant value to shareholders and will complete our transformation into a focused, pure-play industrial specialty chemical company. The transaction is now anticipated to close in the fourth quarter of 2014. As previously disclosed, we will use the net cash proceeds from this divestiture to pay down debt by an amount sufficient to maintain our total debt to Adjusted EBITDA ratio at the level it was prior to the divestiture and to return value to our shareholders. In the interim, we continue to return net proceeds from the Consumer Products divestiture to shareholders though our authorized stock repurchase program.

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;
- 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;
- The receipt of governmental and other approvals associated with the sale of the Chemtura AgroSolutions business and the successful fulfillment of all other closing conditions for such a transaction without unexpected delays or conditions;
- The successful closing of the sale of the Chemtura AgroSolutions business and the separation of that business from the rest of our businesses;
- Declines in general economic conditions;

Table of Contents

- 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;
- 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;
- Our ability to reduce the risks of cyber incidents and protect our information technology;
- 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 14 - Derivative Instruments and Hedging Activities to the Consolidated Financial Statements in our 2013 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 was $800 million at June 30, 2014. The fair market value of such debt as of June 30, 2014 was $824 million, which has been determined primarily based on quoted market prices.

We did not have any financial instruments subject to foreign currency exchange risk as of June 30, 2014.

There have been no other significant changes in market risk during the quarter ended June 30, 2014.

Table of Contents

**ITEM 4.  Controls and Procedures**

(a) *Disclosure Controls and Procedures*

As of June 30, 2014, 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 second quarter ended June 30, 2014 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 2013 Annual Report on Form 10-K as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Investors are encouraged to review those risk factors in detail before making any investment in our securities. There have been no significant changes in our risk factors during the quarter ended June 30, 2014.

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

**Issuer Purchases of Equity Securities During the Second Quarter of 2014**

In November 2013, our Board authorized an increase in our share repurchase program to $291 million of which $139 million remains as of June 30, 2014 and extended the program through November 9, 2014. In May 2014, the Board authorized an increase in the share repurchase program by $100 million, up to $391 million in the aggregate when combined with the November 2013 authorization. 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 SEC. From the inception of the share repurchase program in October 2011 through June 30, 2014, we have repurchased 12.4 million shares of our common stock at a cost of $252 million.

The following table provides information about our repurchases of equity securities during the quarter ended June 30, 2014.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| | **(in millions)** | | | **(in millions)** | | **(in millions)** |
| April 1, 2014 - April 30, 2014 | 2.2 | $ | 23.05 | 2.2 | $ | 220 |
| May 1, 2014 - May 31, 2014 | 2.4 | $ | 24.16 | 2.4 | $ | 161 |
| June 1, 2014 - June 30, 2014 | 0.9 | $ | 24.99 | 0.9 | $ | 139 |
| **Total** | 5.5 | | | 5.5 | | |

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) |
| Date: July 29, 2014 | /s/ Laurence M. Orton |
| | Name: Laurence M. Orton<br>Title: Vice President and Corporate Controller |
| | (Principal Accounting Officer) |