



# **Chemtura Corporation**

## **Third Quarter 2008**

**INVESTOR CONFERENCE CALL**

**Third Quarter 2008 – October 31, 2008**

# Managed Basis Financial Measures



The information presented in this press release and in the attached financial tables includes financial measures that are not calculated or presented in accordance with Generally Accepted Accounting Principles in the United States (GAAP). These managed basis financial measures consist of adjusted results of operations of the Company that exclude certain expenses, gains and losses that may not be indicative of the core operations of the Company. Excluded items include facility closures, severance and related costs, antitrust costs, merger costs, increased depreciation due to the change in useful life of assets, unusual and non-recurring settlements, accelerated recognition of asset retirement obligations and impairment of long-lived assets. In addition to the managed basis financial measures discussed above, the Company has applied a managed basis effective income tax rate to our managed basis income before taxes. Chemtura's managed basis tax rate of 35% beginning with the third quarter of 2007 represents the expected effective tax rate for the Company's core operations. Reconciliations of these managed basis financial measures to their most directly comparable GAAP financial measures are provided in the attached financial tables. The Company believes that such managed basis financial measures provide useful information to investors and may assist them in evaluating the Company's underlying performance and identifying operating trends. In addition, management uses these managed basis financial measures internally to allocate resources and evaluate the performance of the Company's operations. While the Company believes that such measures are useful in evaluating the Company's performance, investors should not consider them to be a substitute for financial measures prepared in accordance with GAAP. In addition, these managed basis financial measures may differ from similarly titled managed basis financial measures used by other companies and do not provide a comparable view of the Company's performance relative to other companies in similar industries.

# Forward Looking Statement



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

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

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

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# Forward Looking Statement *(continued)*



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

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

**See Chemtura's SEC filings for more Information**

# Third Quarter 2008 Earnings Summary

Managed Basis (dollars in millions, except per share data)



## 3Q 08 vs. 3Q 07

	3Q-08 Actual	3Q-07 Actual
<b>Net Sales</b>	\$ 924	\$ 929
<b>Gross Profit</b>	192	202
GP % of Sales	20.8%	21.7%
<b>Selling, General, Admin &amp; Research</b>	89	102
SGA&R % of Sales	9.6%	11.0%
<b>Depreciation and Amortization</b>	46	49
<b>Equity Income</b>	-	(1)
<b>Operating Income</b>	57	52
OI % of Sales	6.2%	5.6%
<b>Other (Income) Expense</b>	(4)	7
<b>Interest Expense</b>	20	21
<b>Income Tax Expense</b>	15	8
<b>Net Income from Continuing Operations</b>	\$ 26	\$ 16
<b>EPS from Continuing Operations</b>	\$ 0.11	\$ 0.07
<b>EPS from Discontinued Operations</b>	\$ -	\$ 0.01
<b>Total EPS</b>	\$ 0.11	\$ 0.08
<b>EBITDA from Continuing Operations</b>	103	101
<b>EBITDA excluding Stock Based Comp.</b>	104	103

## Commentary

- Net sales down by \$5 million due to divestitures (Organic Peroxides, OleoChemicals and Diamond/Terraclor) and the reduction in antioxidant and Consumer Product revenues, which were offset by price increases and FX translation.
- Gross profit margins down due to increases in raw material costs across all business segments.
- Operating Income up \$5 million primarily due to SGA&R savings.
- Other (Income) / Expense favorability resulted from foreign exchange gains, increases in interest income, lower minority interest expense and lower A/R securitization fees.

Fourth consecutive quarter of year-over-year improvement

# Third Quarter 2008

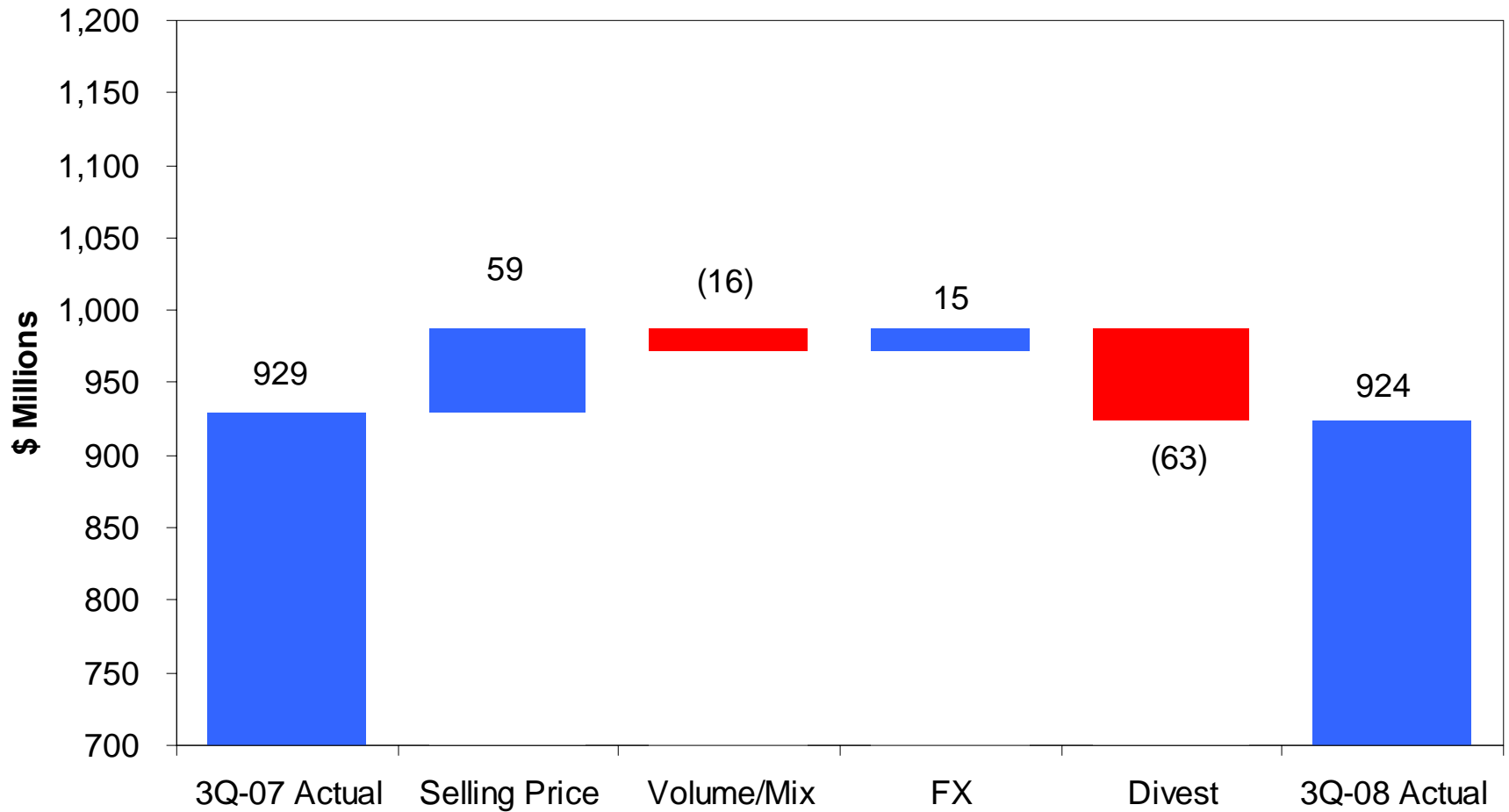
## Managed Basis Adjustments

(Dollars in Millions)



	<b>Operating Income</b>	<b>Net Income Before Taxes</b>
<b>GAAP</b>	<b>\$ 44</b>	<b>\$ 28</b>
Managed Basis Adjustments:		
Accelerated recognition of asset retirement obligations	1	1
Insurance recovery	(2)	(2)
Pension curtailment / settlement	3	3
Accelerated depreciation of property, plant and equipment	8	8
Antitrust Costs	1	1
Gain or loss on sale of businesses	1	1
Impairment of long-lived assets	1	1
<b>Managed Basis</b>	<b>\$ 57</b>	<b>\$ 41</b>
<b><u>Managed Basis EBITDA Reconciliation</u></b>		
<b>Operating Income from Continuing Operations</b>	<b>\$ 57</b>	
<b>Depreciation and Amortization</b>	<b>46</b>	
<b>EBITDA from Continuing Operations</b>	<b>\$ 103</b>	

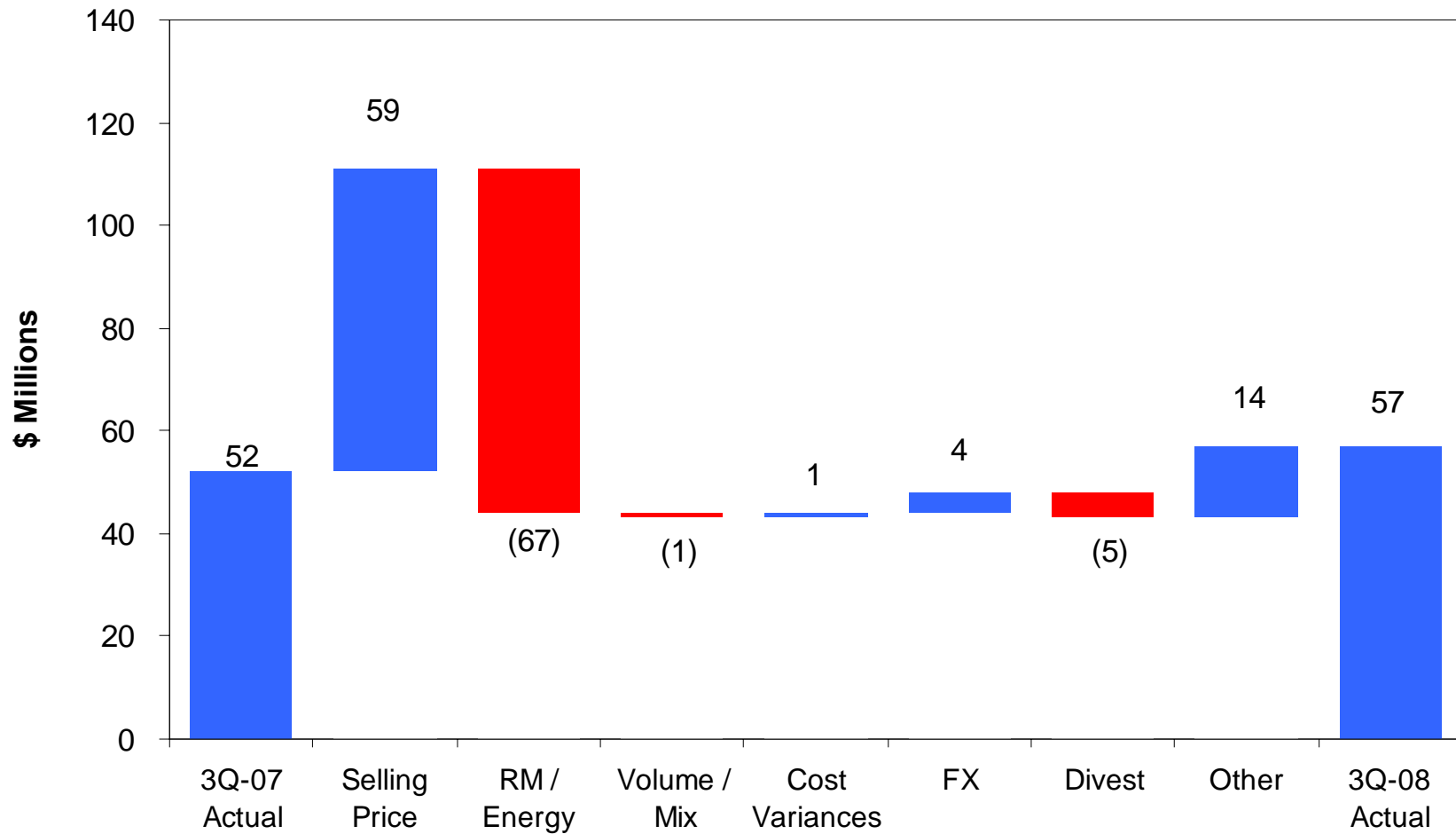
# Third Quarter 2008 Net Sales Bridge



# Third Quarter 2008

## Operating Income Bridge

### Managed Basis





# Polymer Additives Third Quarter Results

Managed Basis



3Q 08 vs. 3Q 07

<u>\$ Millions</u>	3Q-08	3Q-07
Net Sales	414	447
Operating Income	13	15
Operating Income %	3%	3%



## Commentary

	Y-O-Y
<b>Operating Income <math>\Delta</math></b>	<b>(13%)</b>
Price	167%
Raw Materials & Energy	(247%)
Volume/Mix	7%
Cost Variances	33%
FX	13%
Divestitures	(20%)
Other	34%

- Net Sales declined by \$33 million; \$45 million due to divestitures of Oleochemical and Organic Peroxides
- Improved volume and sales mix in flame retardants partially offset by lower volumes in antioxidants
- Operating Income down due to increased raw material costs and the disruption from the Gulf Coast hurricanes, which were partially offset by the benefit of higher selling prices, reduced SGA&R, lower distribution expense, and favorable FX

**Largest quarterly year-over-year raw material cost increase**

# Performance Specialties Third Quarter Results

## Managed Basis



### 3Q 08 vs. 3Q 07

<u>\$ Millions</u>	<u>3Q-08</u>	<u>3Q-07</u>
Net Sales	271	237
Operating Income	31	28
Operating Income %	11%	12%



### Commentary

- Sales increased 14% or \$34 million, reflecting price increases of \$28 million, higher volumes and a favorable FX impact
- Operating Income increased \$3 million due to price increases which were partially offset by raw material cost increases (e.g., decene, nonene, DPA) and higher freight cost and manufacturing expense

### Y-O-Y

<b>Operating Income <math>\Delta</math></b>	<b>11%</b>
Price	100%
Raw Materials & Energy	(86%)
Volume/Mix	4%
Cost Variances	(18%)
FX	4%
Acquisitions & Divestitures	0%
Other	7%

**Selling price increases offset raw material cost increases**

# Consumer Products Third Quarter Results

## Managed Basis



### 3Q 08 vs. 3Q 07

<u>\$ Millions</u>	<u>3Q-08</u>	<u>3Q-07</u>
Net Sales	121	139
Operating Income	16	20
Operating Income %	13%	14%



### Y-O-Y

<b>Operating Income <math>\Delta</math></b>	<b>(20%)</b>
Price	35%
Raw Materials & Energy	(10%)
Volume/Mix	(70%)
Cost Variances	(5%)
FX	0%
Acquisitions & Divestitures	0%
Other	30%

### Commentary

- **Net Sales decreased \$18 million driven by soft end to season in North America and Europe**
- **Operating Income declined \$4 million due to higher raw material costs which were partly offset by price increases and SGA&R savings**

**Soft conclusion to weak 2008 pool season**

# Crop Protection Third Quarter Results

Managed Basis



## 3Q 08 vs. 3Q 07

\$ Millions	3Q-08	3Q-07
Net Sales	103	83
Operating Income	18	11
Operating Income %	17%	13%



## Y-O-Y

<b>Operating Income <math>\Delta</math></b>	<b>64%</b>
Price	(18%)
Raw Materials & Energy	(9%)
Volume/Mix	100%
Cost Variances	18%
FX	0%
Acquisitions & Divestitures	(18%)
Other	(9%)

## Commentary

- Net Sales increased by \$20 million or 24% driven by Vitavax, Dimilin, and a successful adjuvant portfolio in Europe and Latin America
- Operating Income increased by \$7 million or 64% primarily due to the higher sales volume and favorable manufacturing productivity, with a slight reduction from the Diamond and Terraclor product line divestitures in fourth quarter 2007

**Continued growth in European and Latin American regions**

# September 2008 YTD Earnings Summary

## Managed Basis (dollars in millions, except per share data)



### September 08 YTD vs. September 07 YTD

	Sep 08-YTD Actual	Sep 07-YTD Actual
<b>Net Sales</b>	<b>\$ 2,856</b>	<b>\$ 2,856</b>
<b>Gross Profit</b>	<b>623</b>	<b>666</b>
GP % of Sales	21.8%	23.3%
<b>Selling, General, Admin &amp; Research</b>	<b>297</b>	<b>338</b>
SGA&R % of Sales	10.4%	11.8%
<b>Depreciation and Amortization</b>	<b>141</b>	<b>146</b>
<b>Equity Income</b>	<b>(3)</b>	<b>(2)</b>
<b>Operating Income</b>	<b>188</b>	<b>184</b>
OI % of Sales	6.6%	6.4%
<b>Other (Income) Expense</b>	<b>(16)</b>	<b>11</b>
<b>Interest Expense</b>	<b>59</b>	<b>67</b>
<b>Income Tax Expense</b>	<b>51</b>	<b>38</b>
<b>Net Income from Continuing Operations</b>	<b>\$ 94</b>	<b>\$ 68</b>
<b>EPS from Continuing Operations</b>	<b>\$ 0.39</b>	<b>\$ 0.28</b>
<b>EPS from Discontinued Operations</b>	<b>\$ -</b>	<b>\$ 0.06</b>
<b>Total EPS</b>	<b>\$ 0.39</b>	<b>\$ 0.34</b>
<b>EBITDA from Continuing Operations</b>	<b>329</b>	<b>330</b>
<b>EBITDA excluding Stock Based Comp.</b>	<b>335</b>	<b>338</b>

### Commentary

- **Net Sales flat due to growth in Performance Specialties and Crop Protection, price increases, and FX translation offset by divestitures (Celogen®, Organic Peroxides and OleoChemicals) and weakness in antioxidants and Consumer Products**
- **Gross profit margins down due to raw material cost increases across all business segments**
- **Operating Income up \$4 million (including an unfavorable \$7 million lease accounting correction in Q1) due to cost savings initiatives**
- **Other (Income)/Expense favorability resulted from foreign exchange gains, increases in interest income, lower minority interest expense and lower A/R securitization fees**

**SGA&R 10.4% of sales; down \$41 million or 12% from 2007**

# September 2008 YTD

## Managed Basis Adjustments

(Dollars in Millions)



	<b>Operating Income (Loss)</b>	<b>Net Income Before Taxes</b>
<b>GAAP</b>	<b>\$ (203)</b>	<b>\$ (246)</b>
Managed Basis Adjustments:		
Accelerated recognition of asset retirement obligations	3	3
Insurance recovery	(5)	(5)
Pension curtailment / settlement	(4)	(4)
Accelerated depreciation of property, plant and equipment	39	39
Antitrust Costs	12	12
Gain or loss on sale of businesses	25	25
Impairment of long-lived assets	321	321
<b>Managed Basis</b>	<b>\$ 188</b>	<b>\$ 145</b>
<b><u>Managed Basis EBITDA Reconciliation</u></b>		
<b>Operating Income from Continuing Operations</b>	<b>\$ 188</b>	
<b>Depreciation and Amortization</b>	<b>141</b>	
<b>EBITDA from Continuing Operations</b>	<b>\$ 329</b>	



Visit us at [www.chemtura.com](http://www.chemtura.com)

The screenshot shows the Chemtura website homepage. At the top left is the Chemtura logo. To its right are links for "MSDS Request", "Sitemap", "Contact Us", and "Employees". Below this is a green navigation bar with the following menu items: "Our Businesses", "About Chemtura", "News", "Investors", "Corporate Responsibility", and "Careers". The main content area features a grid of images. On the left, a man in a white hard hat and safety glasses is shown. In the center, there are blue buttons with white text and a plus sign: "Integrity" and "Safety". On the right, a woman in a white lab coat and safety glasses is smiling. Below the grid, the heading "Building the Right Chemistry" is displayed, followed by the text: "At Chemtura Corporation, our business is chemistry, focused on improving the quality of life – across the globe." To the right of this text is a blue button with a white arrow and the text "Request MSDS". At the bottom left, there is a small globe icon and the text: "We build the chemistry that makes other products stronger, more durable, safer, cleaner and more". At the bottom right, under the heading "Our Businesses", there is a button with a right-pointing arrow and the text "Bromine & Intermediates".