Chemours Co
Form 10-Q
May 09, 2016
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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 March 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-36794

The Chemours Company
(Exact Name of Registrant as Specified in Its Charter)

Delaware	46-4845564
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1007 Market Street, Wilmington, Delaware 19899
(Address of Principal Executive Offices)

(302) 773-1000
(Registrant’s Telephone Number)

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 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 definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer o Accelerated Filer o

Non-Accelerated Filer x Smaller reporting company o

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

The Registrant had 181,470,350 shares of common stock, $0.01 par value, outstanding at May 2, 2016.

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The Chemours Company

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PART I. FINANCIAL INFORMATION
Item 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS
The Chemours Company
Interim Consolidated Statements of Income (Unaudited)
(Dollars in millions, except per share)

	Three months ended March 31,	
	2016	2015
Net sales	$1,297	$1,363
Cost of goods sold	1,095	1,111
Gross profit	202	252
Selling, general and administrative expense	133	167
Research and development expense	23	23
Employee separation and asset related charges, net	17	—
Total expenses	173	190
Equity in earnings of affiliates	5	3
Interest expense, net	(57)	—
Other income (expense), net	93	(7)
Income before income taxes	70	58
Provision for income taxes	19	15
Net income	51	43
Less: Net income attributable to noncontrolling interests	—	—
Net income attributable to Chemours	$51	$43
Per share data		
Basic earnings per share of common stock [1]	$0.28	$0.24
Diluted earnings per share of common stock [1]	$0.28	$0.24
Dividends per share of common stock	$0.03	$—

[1] On July 1, 2015, E. I. du Pont de Nemours and Company distributed 180,966,833 shares of Chemours' common stock to holders of its common stock. Basic and diluted earnings per common share for the three months ended March 31, 2015 were calculated using the number of shares distributed on July 1, 2015. Refer to Note 8 for information regarding the calculation of basic and diluted earnings per share.
See accompanying notes to the interim consolidated financial statements.

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The Chemours Company
Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in millions)

	Three months ended March 31,					
	2016			2015		
	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax
Net income	$70	$(19)	$ 51	$58	$(15)	$ 43
Other comprehensive income (loss):						
Unrealized loss on net investment hedge	(7)	—	(7)	—	—	—
Cumulative translation adjustments	19	—	19	(206)	—	(206)
Pension benefit plans, net:						
Net gain	—	—	—	3	(1)	2
Effect of foreign exchange rates	(5)	1	(4)	32	(8)	24
Reclassifications to net income:						
Amortization of prior service cost	—	—	—	1	—	1
Amortization of loss	4	(1)	3	4	(1)	3
Pension benefit plans, net	(1)	—	(1)	40	(10)	30
Other comprehensive income (loss)	11	—	11	(166)	(10)	(176)
Comprehensive income (loss)	81	(19)	62	(108)	(25)	(133)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—	—	—
Comprehensive income (loss) attributable to Chemours	$81	$(19)	$ 62	$(108)	$(25)	$ (133)

See accompanying notes to the interim consolidated financial statements.

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The Chemours Company
Interim Consolidated Balance Sheets
(Dollars in millions)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	$ 435	$ 366
Accounts and notes receivable - trade, net	906	859
Inventories	948	972
Prepaid expenses and other	82	104
Total current assets	2,371	2,301
Property, plant and equipment	9,092	9,015
Less: Accumulated depreciation	(5,893)	(5,838)
Net property, plant and equipment	3,199	3,177
Goodwill	165	166
Other intangible assets, net	10	10
Investments in affiliates	144	136
Other assets	491	508
Total assets	$ 6,380	$ 6,298
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 842	$ 973
Short-term borrowings and current maturities of long-term debt	34	39
Other accrued liabilities	611	454
Total current liabilities	1,487	1,466
Long-term debt, net	3,920	3,915
Deferred income taxes	239	234
Other liabilities	542	553
Total liabilities	6,188	6,168
Commitments and contingent liabilities		
Equity		
Common stock (par value $.01 per share; 810,000,000 shares authorized; 181,460,309 shares issued and outstanding as of March 31, 2016)	2	2
Additional paid-in capital	775	775
Accumulated deficit	(64)	(115)
Accumulated other comprehensive loss	(525)	(536)
Total Chemours stockholders' equity	188	126
Noncontrolling interests	4	4
Total equity	192	130
Total liabilities and equity	$ 6,380	$ 6,298

See accompanying notes to the interim consolidated financial statements.

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The Chemours Company
Interim Consolidated Statements of Stockholders' Equity (Unaudited)
Three Months Ended March 31, 2016 and 2015
(Dollars in millions)

	Common Stock							
	Shares	Amount	DuPont Company Net Investment	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total
Balance at January 1, 2015	—	—	$ 3,650	$ —	$ 19	$ —	$ 4	$ 3,673
Net income	—	—	43	—	—	—	—	43
Establishment of pension plans, net and related accumulated other comprehensive income (loss)	—	—	357	—	(247)	—	—	110
Other comprehensive loss	—	—	—	—	(176)	—	—	(176)
Net transfers from DuPont	—	—	479	—	—	—	—	479
Balance at March 31, 2015	—	$ —	$ 4,529	$ —	$ (404)	$ —	$ 4	$ 4,129
Balance at January 1, 2016	181,069,751	$ 2	$ —	$ 775	$ (536)	$ (115)	$ 4	$ 130
Net income	—	—	—	—	—	51	—	51
Common stock issued - compensation plan	390,558	—	—	—	—	—	—	—
Dividends	—	—	—	(5)	—	—	—	(5)
Other comprehensive income	—	—	—	—	11	—	—	11
Stock based compensation	—	—	—	5	—	—	—	5
Balance at March 31, 2016	181,460,309	$ 2	$ —	$ 775	$ (525)	$ (64)	$ 4	$ 192

See accompanying notes to the interim consolidated financial statements.

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The Chemours Company
Interim Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Three months ended March 31, 2016	2015
Operating activities		
Net income	$51	$43
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Depreciation and amortization	66	64
Amortization of debt issuance costs and discount	8	—
Gain on sale of assets and business	(89)	—
Equity in earnings of affiliates	(5)	(3)
Deferred tax expense	10	11
Other operating charges, net	55	11
Decrease (increase) in operating assets:		
Accounts and notes receivable - trade, net	(40)	(98)
Inventories and other operating assets	18	(88)
Decrease in operating liabilities:		
Accounts payable and other operating liabilities	(38)	(178)
Cash provided by (used for) operating activities	36	(238)
Investing activities		
Purchases of property, plant and equipment	(89)	(137)
Proceeds from sales of assets and business	140	8
Foreign exchange contract settlements	(1)	—
Investment in affiliates	—	(30)
Cash provided by (used for) investing activities	50	(159)
Financing activities		
Debt repayments	(9)	—
Deferred financing fees	(2)	—
Dividends paid	(5)	—
Net transfers from DuPont	—	397
Cash (used for) provided by financing activities	(16)	397
Effect of exchange rate changes on cash	(1)	—
Increase in cash	69	—
Cash at beginning of period	366	—
Cash at end of period	$435	$—
Non-cash investing activities:		
Change in property, plant and equipment included in accounts payable	$3	$—

See accompanying notes to the interim consolidated financial statements.

Note 1. Background and Description of the Business

The Chemours Company (Chemours or the Company) delivers customized solutions with a wide range of industrial and specialty chemical products for markets including plastics and coatings, refrigeration and air conditioning, general industrial, mining and oil refining. Principal products include titanium dioxide (TiO_2), refrigerants, industrial fluoropolymer resins, sodium cyanide and sulfuric acid. Chemours consists of three reportable segments: Titanium Technologies, Fluoroproducts and Chemical Solutions.

Chemours is globally operated with manufacturing facilities, sales centers, administrative offices and warehouses located throughout the world. Chemours' operations are primarily located in the United States (U.S.), Canada, Mexico, Brazil, the Netherlands, Belgium, China, Taiwan, Japan, Switzerland, Singapore, Hong Kong, India, the United Kingdom and France. As of March 31, 2016, Chemours consists of 34 production facilities globally, five dedicated to Titanium Technologies, 16 dedicated to Fluoroproducts, 12 dedicated to Chemical Solutions and one that supports the Fluoroproducts and Chemical Solutions segments.

Effective prior to the opening of trading on the New York Stock Exchange (NYSE) on July 1, 2015 (the Distribution Date), E. I. du Pont de Nemours and Company (DuPont) completed the previously announced separation of the businesses comprising DuPont’s Performance Chemicals reporting segment, and certain other assets and liabilities, into Chemours, a separate and distinct public company. The separation was completed by way of a distribution of all of the then-outstanding shares of common stock of Chemours through a dividend in kind of Chemours’ common stock (par value $0.01) to holders of DuPont common stock (par value $0.30) as of the close of business on June 23, 2015 (the Record Date) (the transaction referred to herein as the Distribution).

On the Distribution Date, each holder of DuPont's common stock received one share of Chemours' common stock for every five shares of DuPont's common stock held on the Record Date. The separation was completed pursuant to a Separation Agreement and other agreements with DuPont related to the separation, including an Employee Matters Agreement, a Tax Matters Agreement, a Transition Services Agreement and an Intellectual Property Cross-License Agreement. These agreements govern the relationship between Chemours and DuPont following the separation and provided for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided by DuPont to Chemours.

Unless the context otherwise requires, references in these Notes to the Consolidated Financial Statements to "we," "us," "our," "Chemours" and the "Company" refer to The Chemours Company and its consolidated subsidiaries after giving effect to the Distribution.

Note 2. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. In the opinion of management, all adjustments considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. The year-end consolidated balance sheet does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Unless otherwise stated, references to years and three month periods relate to Chemours' fiscal years and three month periods. Certain reclassifications of prior year's data have been made to conform to current period presentation.

Chemours did not operate as a separate, stand-alone entity for the full period covered by the 2015 interim consolidated financial statements. Prior to our separation on July 1, 2015, Chemours operations were included in DuPont's financial results in different legal forms, including but not limited to wholly-owned subsidiaries for which Chemours was the sole business, components of legal entities in which Chemours operated in conjunction with other DuPont businesses and a majority owned joint venture. For periods prior to July 1, 2015, the interim consolidated financial statements have been prepared from DuPont’s historical accounting records and are presented on a stand-alone basis as if the business operations had been conducted independently from DuPont. DuPont and its subsidiaries’ net investments in these operations is shown in lieu of Stockholder’s Equity in the interim consolidated financial statements. The interim consolidated financial statements include the historical operations, assets and liabilities of the legal entities that were considered to comprise the Chemours business, including certain environmental remediation and litigation obligations for which Chemours has indemnified DuPont.

All of the allocations and estimates in the interim consolidated financial statements prior to July 1, 2015 were based on assumptions that management believes are reasonable. However, the interim consolidated financial statements for the three months ended March 31, 2015 included herein may not be indicative of the results of operations and cash flows of Chemours in the future or if Chemours had been a separate, stand-alone entity during the periods presented. The net transfers from DuPont in the Interim Consolidated Statements of Equity for the three months ended March 31, 2015 include a non-cash contribution from DuPont of $82. This non-cash contribution occurred during physical separation activities at shared production facilities in the United States prior to the separation.

Note 3. Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, "Compensation - Stock Compensation (Topic 718)." The update sets forth areas for simplification within several aspects of the accounting for shared-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for fiscal period, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted for any entity in any interim or annual period. Chemours is currently evaluating the impact of adopting this guidance and does not expect the adoption will have a significant impact on its financial position or results of operations.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from contracts with customers (Topic 606): Principal versus agent considerations (reporting revenue gross versus net)." The amendment clarifies the implementation guidance on principal versus agent considerations and affects the guidance in ASU 2014-09. This amendment is effective on the same effective date of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards (IFRS). The guidance is effective for public entities for annual and interim periods beginning after December 15, 2016 (original effective date). In July 2015, the FASB approved a one year deferral of the effective date of this guidance to provide entities with adequate time to effectively implement the new revenue standard while adoption as of the original effective date is also permitted. Chemours is currently evaluating the impact of adopting these guidance will have on its financial positions and results of operations.

Also, in March 2016, the FASB issued ASU 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323)." The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. Adoption of this guidance is not expected to have a significant impact on the Company's financial position or results of operations.

Further, in March 2016, the FASB issued ASU 2016-06, "Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments," which clarifies Topic 815 requirements for assessing whether contingent call and/or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call and/or put options solely in accordance with the four-step decision sequence. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, and the entity should apply the amendments on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Adoption of this guidance is not expected to have a significant impact on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which supersedes the leases requirements in Topic 840. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. A qualitative disclosure along with specific quantitative disclosures is required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity’s leasing activities. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply.

The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this update is permitted for all entities. Chemours is currently evaluating the impact of adopting this guidance will have to its financial position, results of operations and debt covenants.

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820) - Disclosures for Investment in Certain Entities that Calculate Net Asset Value per Share or its Equivalent." This guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendment is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented and earlier application is permitted. Chemours adopted this guidance effective January 1, 2016. The adoption did not have a significant effect on our financial position or results of operations.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which provides guidance about whether a cloud computing arrangement includes a software license. The customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. Chemours adopted this guidance effective January 1, 2016 prospectively to all arrangements entered into or materially modified after the effective date. The adoption did not have a significant impact on our financial position or results of operations.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." The amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The amendment is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Chemours adopted this guidance effective January 1, 2016 and the adoption did not change our consolidated entities, and therefore had no effect on our financial position, results of operations and cash flows.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation-Stock Compensation (Topic 718)," which requires an entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition in accordance with existing guidance in Topic 718. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Chemours adopted this guidance, effective January 1, 2016, prospectively to all awards granted or modified after the effective date. The adoption did not have a significant effect on our financial position and results of operations.

Note 4. Relationship with DuPont and Related Entities

Prior to the separation, including the three months ended March 31, 2015, Chemours sold finished goods to DuPont and its non-Chemours businesses. Related party sales to DuPont for the three months period ended March 31, 2015 were $1, $18 and $10 recorded by Titanium Technologies, Fluoroproducts and Chemical Solutions, respectively. Subsequent to the separation, beginning on July 1, 2015, transactions with DuPont businesses were not considered related party transactions.

Also prior to the separation, DuPont incurred significant corporate costs for services provided to Chemours as well as other DuPont businesses. These costs included expenses for information systems, accounting, other financial services such as treasury and audit, purchasing, human resources, legal, facilities, engineering, corporate research and development, corporate stewardship, marketing and business analysis support. A portion of these costs benefited multiple or all DuPont businesses, including Chemours, and were allocated to Chemours and its reportable segments using methods based on proportionate formulas involving total costs or other various allocation methods that management considered consistent and reasonable. Other Chemours corporate costs are not allocated to the reportable segments and are reported in Corporate and Other.

The allocated leveraged functional service expenses and general corporate expenses included in the Interim Consolidated Statements of Operations were $122 for the three months ended March 31, 2015, and were recorded within cost of goods sold, selling, general and administrative expense and research and development expense for $13, $105 and $4, respectively. Subsequent to the separation on July 1, 2015, transactions with DuPont businesses were not considered related party transactions. Accordingly, no costs from DuPont were allocated to Chemours for the three months ended March 31, 2016.

The Chemours Company
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in millions, except per share)

Cash Management and Financing
The separation agreements set forth a process to true-up cash and working capital transferred to us from DuPont at separation. In January 2016, Chemours and DuPont entered into an agreement, contingent upon the credit agreement amendment (described in Note 14), which provided for the extinguishment of payment obligations of cash and working capital true-ups previously contemplated in the separation agreements. As a result, Chemours was not required to make any payments to DuPont, nor did DuPont make any payments to Chemours. In addition, the agreement set forth an advance payment by DuPont of approximately $190, which Chemours received in February 2016, for certain specified goods and services that Chemours expects to provide to DuPont over twelve to fifteen months under existing agreements between the parties. The advance payment was recorded as deferred liability included in other accrued liabilities of the Consolidated Balance Sheet and approximately $166 remain outstanding as of March 31, 2016.
Tax Matters Agreement
Chemours and DuPont entered into a tax matters agreement that governs the parties' respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. In general, under the agreement, DuPont is responsible for any U.S. federal, state and local taxes (and any related interest, penalties or audit adjustments) reportable on a consolidated, combined or unitary return that includes DuPont or any of its subsidiaries and Chemours and/or any of its subsidiaries for any periods or portions thereof ending on or prior to the date of the separation and Chemours is responsible for any U.S. federal, state, local and foreign taxes (and any related interest, penalties or audit adjustments) that are imposed on Chemours and/or any of its subsidiaries for all tax periods, whether before or after the date of the separation.
Note 5. Employee Separation and Asset Related Charges, Net
For the three months ended March 31, 2016, Chemours recorded charges for employee separation and other restructuring related charges as follows:

	Three months ended March 31,	
	2016	2015
Employee separation charges	$ 4	$ —
Decommissioning and other charges	13	—
Total	$ 17	$ —

The charges impacted segment earnings for the three months ended March 31, 2016 as follows:

	Titanium Technologies	Fluoroproducts	Chemical Solutions	Total
Plant and product line closures	$ 8	$ 4	$ 1	$ 13
2015 Global restructuring	2	2	—	4
Total	$ 10	$ 6	$ 1	$ 17

As a result of the decommissioning and dismantling activities due to the closure of the Edge Moor manufacturing plant in the U.S., for the three months ended March 31, 2016, the Company recorded charges of approximately $8 in the Titanium Technology segment. The decommissioning, dismantling and removal activities will continue for the remainder of 2016 through early 2017 and the Company expects to incur additional charges of approximately $40, which will be expensed as incurred.
The Company's Fluoroproducts segment also recorded charges of approximately $4 related to decommissioning, dismantling and removal activities on certain of its production lines in the U.S. The Company also expects to incur additional $5 for dismantling and removal costs in the remainder of 2016 through early 2017, which will be expensed

as incurred.

Further, following the announcement of a global workforce reduction in November 2015, the Company incurred an additional $4 of employee separation costs due to continued efforts to streamline and simplify its organizational structure and reduce costs.

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The Chemours Company
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in millions, except per share)

The following table shows the change in the employee separation related liability account associated with the restructuring programs:

	Titanium Technologies Site Closures	Fluoroproducts Lines Shutdown	Chemical Solutions Site Closures	2015 Global Restructuring	Total
Balance as of December 31, 2015	$ 11	$ 2	$ 12	$ 73	$ 98
Charges to income for the three months ended March 31, 2016	—	—	—	4	4
Charges to liability accounts:					
Payments	(2)	—	—	(18)	(20)
Net currency translation adjustment [1]	—	—	—	—	—
Balance as of March 31, 2016	$ 9	$ 2	$ 12	$ 59	$ 82

[1] Net currency translation adjustment was less than $1 for all periods presented.

There are no significant outstanding liabilities related to the decommissioning and other restructuring related charges.

Note 6. Other Income (Expense), Net

	Three months ended March 31, 2016	2015
Leasing, contract services and miscellaneous income [1]	$ 7	$ 4
Royalty income [2]	3	5
Gain on sale of assets and business	89	—
Exchange losses, net [3]	(6)	(16)
Total other income (expense), net	$ 93	$ (7)

[1] Miscellaneous income includes accrued interest related to unrecognized tax benefits.
[2] Royalty income is primarily for technology and trademark licensing.
[3] Exchange losses, net includes loss on derivative contracts of $1 and $11 for the three months ended March 31, 2016 and 2015, respectively (see Note 16 for additional information).

Dispositions

In November 2015, the Company signed a definitive agreement to sell its aniline facility in Beaumont, Texas to The Dow Chemical Company (Dow), subject to customary approvals and closing conditions. The transaction closed on March 1, 2016 and Chemours received $140 in cash from Dow. The net book value of the asset disposed was $41, which includes inventories, property, plant and equipment, other assets and allocated goodwill, and the Company incurred approximately $10 of transaction and other related charges. As a result, for the three months ended March 31, 2016, Chemours recognized a pre-tax gain of approximately $89 in the Chemical Solutions segment.

Note 7. Income Taxes

Chemours recorded a provision for income tax of $19 and $15 or an effective income tax rate of approximately 27% and 26% for the three months ended March 31, 2016 and 2015, respectively.

Each year, Chemours and/or its subsidiaries, file income tax returns in the U.S. federal jurisdiction and various states and non-U.S. jurisdictions. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by Chemours and/or DuPont in accordance with the tax matters agreement. As a result, income tax uncertainties are recognized in Chemours’ interim consolidated financial statements in accordance with accounting for income taxes, when applicable. It is reasonably possible that changes to Chemours' global unrecognized tax benefits

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could be significant; however, due to the uncertainty regarding the timing of completion of audits and possible outcomes, a current estimate of the range of such changes that may occur within the next twelve months cannot be made.

Note 8. Earnings Per Share of Common Stock

The table below shows a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated.

	Three months ended March 31,	
	2016	2015
Numerator:		
Net income attributable to Chemours	$ 51	$ 43
Denominator:		
Weighted-average number of common shares outstanding - Basic [1]	181,281,066	180,966,833
Dilutive effect of the company's employee compensation plans [2]	221,974	—
Weighted average number of common shares outstanding - Diluted	181,503,040	180,966,833

[1] For March 31, 2015, pro forma earnings per share was calculated based on 180,966,833 shares of Chemours common stock that were distributed to DuPont shareholders on July 1, 2015.

[2] Diluted earnings per share is calculated using net income available to common shareholders divided by diluted weighted-average shares of common shares outstanding during each period, which includes unvested restricted shares. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect.

The following average number of stock options were antidilutive and, therefore, were not included in the diluted earnings per share calculation:

	Three months ended March 31,	
	2016	2015
Average number of stock options	8,701,474	—

Note 9. Accounts and Notes Receivable – Trade, Net

	March 31, 2016	December 31, 2015
Accounts receivable—trade, net [1]	$ 816	$ 759
VAT, GST and other taxes [2]	62	68
Leases receivable—current	12	13
Other receivables [3]	16	19
Total	$ 906	$ 859

[1] Accounts receivable – trade, net includes trade notes receivable and is net of allowances of $5 and $4 as of March 31, 2016 and December 31, 2015, respectively. Allowances are equal to the estimated uncollectible amounts.

[2] Value Added Tax (VAT) and Goods and Services Tax (GST).

[3] Other receivables consist of advances and other deposits.

Accounts and notes receivable are carried at amounts that approximate fair value. Bad debt expense was less than $1 for the three months ended March 31, 2016. There was no bad debt expense for the three months ended March 31, 2015.

The Chemours Company
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(Dollars in millions, except per share)

Note 10. Inventories

	March 31, 2016	December 31, 2015
Finished products	$ 645	$ 613
Semi-finished products	177	172
Raw materials, stores and supplies	371	433
Subtotal	1,193	1,218
Adjustment of inventories to a last-in, first-out (LIFO) basis	(245)	(246)
Total	$ 948	$ 972

Inventory values, before LIFO adjustment, are generally determined by the average cost method, which approximates current cost. Inventories are valued under the LIFO method at substantially all of the U.S. locations, which comprised $683 and $744 or 57% and 61% of inventories before the LIFO adjustments at March 31, 2016 and December 31, 2015, respectively. The remainder of inventory held in international locations and certain U.S. locations is valued under the average cost method.

Note 11. Property, Plant and Equipment

Depreciation expense amounted to $65 and $63 for the three months ended March 31, 2016 and 2015, respectively. Property, plant and equipment includes gross assets under capital leases of $7 at March 31, 2016 and December 31, 2015.

Note 12. Other Intangible Assets, Net

The following table summarizes the gross carrying amounts and accumulated amortization of other intangible assets by major class:

	March 31, 2016			December 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer lists	$13	$ (10)	$3	$13	$ (10)	$ 3
Patents	19	(17)	2	19	(17)	2
Purchased trademarks	5	(2)	3	5	(2)	3
Purchased and licensed technology	3	(1)	2	8	(6)	2
Total	$40	$ (30)	$10	$45		