DOW CHEMICAL CO /DE/
Form 10-Q
May 04, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended MARCH 31, 2010

Commission File Number: 1-3433

THE DOW CHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware	38-1285128
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2030 DOW CENTER, MIDLAND, MICHIGAN 48674
(Address of principal executive offices) (Zip Code)

989-636-1000
(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.
þ Yes o No

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

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

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

Class	Outstanding at March 31, 2010
Common Stock, par value $2.50 per share	1,154,900,085 shares

The Dow Chemical Company

QUARTERLY REPORT ON FORM 10-Q
For the quarterly period ended March 31, 2010

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Income

In millions, except per share amounts (Unaudited)		Three Months Ended March 31, 2010		March 31, 2009
Net Sales	$	13,417	$	9,041
Cost of sales		11,541		8,138
Research and development expenses		407		292
Selling, general and administrative expenses		662		443
Amortization of intangibles		128		22
Restructuring charges		16		19
Acquisition and integration related expenses		26		48
Equity in earnings of nonconsolidated affiliates		304		65
Sundry income (expense) - net		83		(3)
Interest income		7		12
Interest expense and amortization of debt discount		376		154
Income (Loss) from Continuing Operations Before Income Taxes		655		(1)
Provision (Credit) for income taxes		103		(25)
Net Income from Continuing Operations		552		24
Income from discontinued operations, net of income taxes		-		11
Net Income		552		35
Net income attributable to noncontrolling interests		1		11
Net Income Attributable to The Dow Chemical Company		551		24
Preferred stock dividends		85		-
Net Income Available for The Dow Chemical Company Common Stockholders	$	466	$	24
Per Common Share Data:				
Net income from continuing operations available for common stockholders	$	0.42	$	0.02
Discontinued operations attributable to common stockholders		-		0.01
Earnings per common share - basic	$	0.42	$	0.03
Net income from continuing operations available for common stockholders	$	0.41	$	0.02
Discontinued operations attributable to common stockholders		-		0.01
Earnings per common share - diluted	$	0.41	$	0.03
Common stock dividends declared per share of common stock	$	0.15	$	0.15

Weighted-average common shares outstanding - basic		1,117.5		925.4
Weighted-average common shares outstanding - diluted		1,137.9		932.0
Depreciation	$	591	$	455
Capital Expenditures	$	294	$	234

See Notes to the Consolidated Financial Statements.

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The Dow Chemical Company and Subsidiaries

Consolidated Balance Sheets

In millions (Unaudited)	March 31, 2010	Dec. 31, 2009
Assets		
Current Assets		
Cash and cash equivalents (variable interest entities restricted - 2010: $172)	$ 2,923	$ 2,846
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2010: $142; 2009: $160)	5,439	5,656
Other	5,016	3,539
Inventories	7,020	6,847
Deferred income tax assets - current	482	654
Assets held for sale - current	431	-
Total current assets	21,311	19,542
Investments		
Investment in nonconsolidated affiliates	3,006	3,224
Other investments (investments carried at fair value - 2010: $2,148; 2009: $2,136)	2,551	2,561
Noncurrent receivables	248	210
Total investments	5,805	5,995
Property		
Property	50,324	53,567
Accumulated depreciation	32,992	35,426
Net property (variable interest entities restricted - 2010: $801)	17,332	18,141
Other Assets		
Goodwill	13,129	13,213
Other intangible assets (net of accumulated amortization - 2010: $1,360; 2009: $1,302)	5,784	5,966
Deferred income tax assets - noncurrent	2,356	2,039
Asbestos-related insurance receivables - noncurrent	313	330
Deferred charges and other assets	853	792
Assets held for sale - noncurrent	663	-
Total other assets	23,098	22,340
Total Assets	$ 67,546	$ 66,018
Liabilities and Equity		
Current Liabilities		
Notes payable	$ 2,594	$ 2,139
Long-term debt due within one year	1,773	1,082
Accounts payable:		
Trade	4,652	4,153
Other	2,082	2,014
Income taxes payable	324	176
Deferred income tax liabilities - current	64	78
Dividends payable	255	254

Accrued and other current liabilities	3,161	3,209
Total current liabilities	14,905	13,105
Long-Term Debt	18,835	19,152
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	1,345	1,367
Pension and other postretirement benefits - noncurrent	7,263	7,242
Asbestos-related liabilities - noncurrent	727	734
Other noncurrent obligations	3,313	3,294
Liabilities held for sale - noncurrent	66	-
Total other noncurrent liabilities	12,714	12,637
Stockholders' Equity		
Preferred stock, series A ($1.00 par, $1,000 liquidation preference, 4,000,000 shares)	4,000	4,000
Common stock	2,908	2,906
Additional paid-in capital	1,908	1,913
Retained earnings	16,746	16,704
Accumulated other comprehensive loss	(4,258)	(3,892)
Unearned ESOP shares	(508)	(519)
Treasury stock at cost	(379)	(557)
The Dow Chemical Company's stockholders' equity	20,417	20,555
Noncontrolling interests	675	569
Total equity	21,092	21,124
Total Liabilities and Equity	$ 67,546	$ 66,018

See Notes to the Consolidated Financial Statements.

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The Dow Chemical Company and Subsidiaries
Consolidated Statements of Cash Flows

In millions (Unaudited)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Operating Activities		
Net Income	$552	$35
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	757	508
Credit for deferred income tax	(155)	(83)
Earnings of nonconsolidated affiliates less than (in excess of) dividends received	(12)	496
Pension contributions	(77)	(51)
Net loss on sales of investments	30	2
Net gain on sales of property, businesses and consolidated companies	(92)	-
Other net loss	12	-
Restructuring charges	16	19
Excess tax benefits from share-based payment arrangements	(1)	-
Changes in assets and liabilities, net of effects of acquired and divested companies:		
Accounts and notes receivable	(1,536)	(23)
Inventories	(605)	120
Accounts payable	343	(614)
Other assets and liabilities	754	(486)
Cash used in operating activities	(14)	(77)
Investing Activities		
Capital expenditures	(294)	(234)
Proceeds from sales of property, businesses and consolidated companies	104	33
Acquisitions of businesses	(5)	(5)
Investments in consolidated companies, net of cash acquired	(62)	(7)
Investments in nonconsolidated affiliates	(50)	(17)
Distributions from nonconsolidated affiliates	18	3
Proceeds from interests in trade accounts receivable conduits	528	-
Purchases of investments	(321)	(108)
Proceeds from sales and maturities of investments	327	159
Cash provided by (used in) investing activities	245	(176)
Financing Activities		
Changes in short-term notes payable	528	(1,564)
Proceeds from notes payable	84	-
Payments on notes payable	(657)	-
Proceeds from revolving credit facility	-	3,000
Proceeds from issuance of long-term debt	171	74
Payments on long-term debt	(75)	(367)
Purchases of treasury stock	(9)	(5)
Proceeds from issuance of common stock	13	-
Proceeds from sales of common stock	51	-
Issuance costs for debt and equity securities	-	(265)
Excess tax benefits from share-based payment arrangements	1	-
Distributions to noncontrolling interests	-	(23)
Dividends paid to stockholders	(253)	(388)
Cash provided by (used in) financing activities	(146)	462

Effect of Exchange Rate Changes on Cash	(8)	(53)
Summary		
Increase in cash and cash equivalents	77	156
Cash and cash equivalents at beginning of year	2,846	2,800
Cash and cash equivalents at end of period	$2,923	$2,956

See Notes to the Consolidated Financial Statements.

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The Dow Chemical Company and Subsidiaries
Consolidated Statements of Equity

In millions (Unaudited)	Three Months Ended March 31, 2010	March 31, 2009
Preferred Stock		
Balance at beginning of year and end of period	$4,000	-
Common Stock		
Balance at beginning of year	2,906	$2,453
Common stock issued	2	-
Balance at end of period	2,908	2,453
Additional Paid-in Capital		
Balance at beginning of year	1,913	872
Common stock issued	2	-
Stock-based compensation and allocation of ESOP shares	(7)	(47)
Balance at end of period	1,908	825
Retained Earnings		
Balance at beginning of year	16,704	17,013
Net income available for The Dow Chemical Company common stockholders	466	24
Dividends declared on common stock (Per share: $0.15 in 2010, $0.15 in 2009)	(168)	(139)
Other	(8)	(2)
Impact of adoption of ASU 2009-17, net of tax	(248)	-
Balance at end of period	16,746	16,896
Accumulated Other Comprehensive Income (Loss)		
Unrealized Gains (Losses) on Investments at beginning of year	79	(111)
Net change in unrealized gains (losses)	13	(24)
Balance at end of period	92	(135)
Cumulative Translation Adjustments at beginning of year	624	221
Translation adjustments	(430)	(384)
Balance at end of period	194	(163)
Pension and Other Postretirement Benefit Plans at beginning of year	(4,587)	(4,251)
Adjustments to pension and other postretirement benefit plans	42	5
Balance at end of period	(4,545)	(4,246)
Accumulated Derivative Gain (Loss) at beginning of year	(8)	(248)
Net hedging results	1	(61)
Reclassification to earnings	8	179
Balance at end of period	1	(130)
Total accumulated other comprehensive loss	(4,258)	(4,674)
Unearned ESOP Shares		
Balance at beginning of year	(519)	-
Shares allocated to ESOP participants	11	-
Balance at end of period	(508)	-
Treasury Stock		
Balance at beginning of year	(557)	(2,438)
Purchases	(9)	(5)
Issuance to employees and employee plans	187	59
Balance at end of period	(379)	(2,384)
The Dow Chemical Company's Stockholders' Equity	20,417	13,116
Noncontrolling Interests		

Balance at beginning of year	569	69
Net income attributable to noncontrolling interests	1	11
Impact of adoption of ASU 2009-17	100	-
Other	5	(17)
Balance at end of period	675	63
Total Equity	$21,092	$13,179

See Notes to the Consolidated Financial Statements.

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The Dow Chemical Company and Subsidiaries
Consolidated Statements of Comprehensive Income

In millions (Unaudited)	Three Months Ended March 31, 2010	March 31, 2009
Net Income	$552	$35
Other Comprehensive Income (Loss), Net of Tax		
Net change in unrealized gains (losses) on investments	13	(24)
Translation adjustments	(430)	(384)
Adjustments to pension and other postretirement benefit plans	42	5
Net gains on cash flow hedging derivative instruments	9	118
Total other comprehensive loss	(366)	(285)
Comprehensive Income (Loss)	186	(250)
Comprehensive income attributable to noncontrolling interests, net of tax	1	11
Comprehensive Income (Loss) Attributable to The Dow Chemical Company	$185	$(261)

See Notes to the Consolidated Financial Statements.

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The Dow Chemical Company and Subsidiaries
PART I - FINANCIAL INFORMATION, Item 1. Financial Statements.
(Unaudited) Notes to the Consolidated Financial Statements

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NOTE A – CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements of The Dow Chemical Company and its subsidiaries (“Dow” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and reflect all adjustments (including normal recurring accruals) which, in the opinion of management, are considered necessary for the fair presentation of the results for the periods presented. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

Certain changes to prior year balance sheet amounts have been made in accordance with the accounting guidance for business combinations to reflect adjustments made during the measurement period to provisional amounts recorded for assets acquired and liabilities assumed from Rohm and Haas Company (“Rohm and Haas”) on April 1, 2009.

NOTE B – RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance
On January 1, 2010, the Company adopted Accounting Standards Update (“ASU”) 2009-16, “Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets.” This ASU is intended to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial

assets. The Company evaluated the impact of adopting the guidance and the terms and conditions in place at January 1, 2010 and determined that certain sales of accounts receivable would be classified as secured borrowings. Under these arrangements, $915 million was outstanding at January 1, 2010. The maximum amount of receivables available for participation in these programs was $1,939 million at January 1, 2010. See Note K for additional information about transfers of financial assets.

On January 1, 2010, the Company adopted ASU 2009-17, “Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,” which amended the consolidation guidance applicable to variable interest entities and required additional disclosures concerning an enterprise’s continuing involvement with variable interest entities. The Company evaluated the impact of this guidance and determined that the adoption results in the consolidation of two additional joint ventures, an owner trust and an entity that is used to monetize accounts receivable. At January 1, 2010, $793 million in assets (net of tax, including the impact on “Investment in nonconsolidated affiliates”), $941 million in liabilities, $100 million in noncontrolling interest and a cumulative effect adjustment to retained earnings of $248 million were recorded as a result of the adoption of this guidance. See Note L for additional information about variable interest entities.

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On January 1, 2010, the Company adopted ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," which adds disclosure requirements about transfers in and out of Levels 1 and 2 and separate disclosures about activity relating to Level 3 measurements and clarifies existing disclosure requirements related to the level of disaggregation and input and valuation techniques. See Note I for additional disclosures about fair value measurements.

Accounting Guidance Issued But Not Adopted as of March 31, 2010
In October 2009, the Financial Accounting Standards Board issued ASU 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force," which amends the criteria for when to evaluate individual delivered items in a multiple deliverable arrangement and how to allocate consideration received. This ASU is effective for fiscal years beginning on or after June 15, 2010, which is January 1, 2011 for the Company. The Company is currently evaluating the impact of adopting the guidance.

NOTE C – RESTRUCTURING

2009 Restructuring
On June 30, 2009, the Company's Board of Directors approved a restructuring plan related to the Company's acquisition of Rohm and Haas as well as actions to advance the Company's strategy and to respond to continued weakness in the global economy. The restructuring plan included the elimination of approximately 2,500 positions primarily resulting from synergies achieved as a result of the acquisition of Rohm and Haas. In addition, the Company will shut down a number of manufacturing facilities. These actions are expected to be completed primarily by the end of 2011. As a result of the restructuring activities, the Company recorded pretax restructuring charges of $677 million in the second quarter of 2009, consisting of asset write-downs and write-offs of $454 million, costs associated with exit or disposal activities of $68 million and severance costs of $155 million.

The severance component of the 2009 restructuring charges of $155 million was for the separation of approximately 2,500 employees under the terms of the Company's ongoing benefit arrangements, primarily over two years. At December 31, 2009, severance of $72 million had been paid and a currency adjusted liability of $84 million remained for approximately 1,221 employees. In the first quarter of 2010, severance of $30 million was paid, leaving a currency adjusted liability of $51 million for approximately 869 employees at March 31, 2010.

In the first quarter of 2010, the Company recorded an additional $8 million charge to adjust the impairment of long-lived assets and other assets related to the divestiture of certain acrylic monomer and specialty latex assets completed in the first quarter of 2010, and an additional $8 million charge related to the shutdown of a small manufacturing facility under the 2009 restructuring plan. The impact of these charges is shown as "Restructuring charges" in the consolidated statements of income and was reflected in the following operating segments: Electronic and Specialty Materials ($8 million), Coatings and Infrastructure ($5 million) and Performance Products ($3 million).

The following table summarizes the 2010 activities related to the Company's restructuring reserve:

2010 Activities Related to 2009 Restructuring In millions	Impairment of Long-Lived Assets and Other Assets	Costs associated with Exit or Disposal Activities	Severance Costs	Total
Reserve balance at December 31, 2009	-	$ 68	$ 84	$ 152
Adjustment to reserve	$ 16	-	-	16
Cash payments	-	-	(30)	(30)
Charges against reserve	(16)	-	-	(16)
Foreign currency impact	-	-	(3)	(3)

Reserve balance at March 31, 2010	-	$ 68	$ 51	$ 119

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Restructuring Reserve Assumed from Rohm and Haas

Included in liabilities assumed in the April 1, 2009 acquisition of Rohm and Haas was a reserve of $122 million for severance and employee benefits for the separation of 1,255 employees under the terms of Rohm and Haas' ongoing benefit arrangement. The separations resulted from plant shutdowns, production schedule adjustments, productivity improvements and reductions in support services. Cash payments are expected to be paid primarily by the end of 2011. At December 31, 2009, a currency adjusted liability of $68 million remained for approximately 552 employees. In the first quarter of 2010, severance of $9 million was paid, leaving a currency adjusted liability of $60 million for approximately 487 employees at March 31, 2010.

Restructuring Reserve Assumed from Rohm and Haas

In millions	Severance Costs
Reserve balance at December 31, 2009	$ 68
Cash payments	(9)
Foreign currency impact	1
Reserve balance at March 31, 2010	$ 60

2008 Restructuring

On December 5, 2008, the Company's Board of Directors approved a restructuring plan as part of a series of actions to advance the Company's strategy and respond to the severe economic downturn. The restructuring plan includes the shutdown of a number of facilities and a global workforce reduction, which are targeted to be completed by the end of 2010. As a result of the shutdowns and global workforce reduction, the Company recorded pretax restructuring charges of $785 million in the fourth quarter of 2008. The charges consisted of asset write-downs and write-offs of $336 million, costs associated with exit or disposal activities of $128 million and severance costs of $321 million.

The severance component of the 2008 restructuring charges of $321 million was for the separation of approximately 3,000 employees under the terms of Dow's ongoing benefit arrangements, primarily over two years. At December 31, 2009, severance of $289 million had been paid and a currency adjusted liability of $53 million remained for approximately 293 employees. In the first quarter of 2010, severance of $16 million was paid, leaving a currency adjusted liability of $33 million for approximately 138 employees at March 31, 2010.

The following table summarizes 2010 activities related to the Company's 2008 restructuring reserve:

2010 Activities Related to 2008 Restructuring

In millions	Costs associated with Exit or Disposal Activities	Severance Costs	Total
Reserve balance at December 31, 2009	$ 135	$ 53	$ 188
Cash payments	-	(16)	(16)
Foreign currency impact	(2)	(4)	(6)
Reserve balance at March 31, 2010	$ 133	$ 33	$ 166

NOTE D – ACQUISITIONS

Acquisition of Rohm and Haas

On April 1, 2009, the Company completed the acquisition of Rohm and Haas. Pursuant to the July 10, 2008 Agreement and Plan of Merger, Ramses Acquisition Corp., a direct wholly owned subsidiary of the Company, merged with and into Rohm and Haas, with Rohm and Haas continuing as the surviving corporation and becoming a direct wholly owned subsidiary of the Company.

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The following table summarizes the fair values of the assets acquired and liabilities assumed from Rohm and Haas on April 1, 2009. Since the acquisition, net adjustments of $145 million were made to the fair values of the assets acquired and liabilities assumed with a corresponding adjustment to goodwill. These adjustments are summarized in the table presented below. The balance sheet at December 31, 2009 has been retrospectively adjusted to reflect these adjustments as required by the accounting guidance for business combinations.

Assets Acquired and Liabilities Assumed on April 1, 2009 In millions	Initial Valuation	2009 Adjustments to Fair Value	Dec. 31, 2009	2010 Adjustments to Fair Value	March 31, 2010
Purchase Price	$ 15,681	-	$ 15,681	-	$ 15,681
Fair Value of Assets Acquired					
Current assets	$ 2,710	-	$ 2,710	$ (18)	$ 2,692
Property	3,930	$ (138)	3,792	-	3,792
Other intangible assets (1)	4,475	830	5,305	-	5,305
Other assets	1,288	32	1,320	-	1,320
Net assets of the Salt business (2)	1,475	(167)	1,308	-	1,308
Total Assets Acquired	$ 13,878	$ 557	$ 14,435	$ (18)	$ 14,417
Fair Value of Liabilities and Noncontrolling Interests Assumed					
Current liabilities	$ 1,218	$ (11)	$ 1,207	$ (1)	$ 1,206
Long-term debt	2,528	13	2,541	-	2,541
Accrued and other liabilities and noncontrolling interests	702	-	702	-	702
Pension benefits	1,119	-	1,119	-	1,119
Deferred tax liabilities – noncurrent	2,482	311	2,793	82	2,875
Total Liabilities and Noncontrolling Interests Assumed	$ 8,049	$ 313	$ 8,362	$ 81	$ 8,443
Goodwill (1)	$ 9,852	$ (244)	$ 9,608	$ 99	$ 9,707

(1) See Note G for additional information.
(2) Morton International, Inc.

The following table summarizes the major classes of assets and liabilities underlying the deferred tax liabilities resulting from the acquisition of Rohm and Haas:

Deferred Tax Liabilities Assumed on April 1, 2009 In millions	As Adjusted
Intangible assets	$ 1,754
Property	526
Long-term debt	191
Inventories	80
Other accruals and reserves	324
Total Deferred Tax Liabilities	$ 2,875

The acquisition resulted in the recognition of $9,707 million of goodwill, which is not deductible for tax purposes. See Note G for further information on goodwill, including the allocation by segment.

Rohm and Haas Acquisition and Integration Related Expenses

During the first quarter of 2010, pretax charges totaling $26 million were recorded for integration costs related to the April 1, 2009 acquisition of Rohm and Haas. During the first quarter of 2009, pretax charges totaling $48 million were recorded for legal expenses and other transaction costs related to the acquisition. These charges, which were expensed in accordance with the accounting guidance for business combinations, were recorded in “Acquisition and integration related expenses” and reflected in Corporate.

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NOTE E – DIVESTITURES

Pending Divestiture of the Styron Business Unit

On March 2, 2010, the Company announced the entry into a definitive agreement to sell the Styron business unit ("Styron") to an affiliate of Bain Capital Partners for $1.63 billion. The Company announced its plan to form the business unit in July 2009, for the purpose of preparing certain businesses and products of the Company to operate under a different ownership structure. Businesses and products in Styron include: Styrenics – polystyrene, acrylonitrile butadiene styrene, styrene acrylonitrile and expandable polystyrene; Emulsion Polymers; Polycarbonate and Compounds and Blends; Synthetic Rubber; and Automotive Plastics. Certain styrene monomer assets will also be included in the sale. The definitive agreement specifies the assets and liabilities related to the businesses and products that will be included in the sale. Dow has an option to receive up to 15 percent of the equity of Styron as part of the sale consideration. Additionally, the transaction is expected to include several long-term supply, service and purchase agreements. The transaction is expected to close mid-year 2010, subject to regulatory approvals.

The assets and liabilities of Styron were classified as held for sale at March 31, 2010. The results of operations were not classified as discontinued operations, as the operations and cash flows related to the assets and liabilities to be sold can not be clearly distinguished from the rest of the Company. Additionally, the Company expects continuing cash flows as a result of the supply, service and purchase agreements.

The following table presents the major classes of assets and liabilities recorded as held for sale at March 31, 2010:

Styron Assets and Liabilities Held for Sale

In millions	Coatings and Infra-structure	Perf Systems	Perf Products	Basic Plastics	Hydro-carbons and Energy	Corp.	Total
Inventories	-	$ 110	$ 73	$ 167	$ 81	-	$ 431
Assets held for sale - current	-	$ 110	$ 73	$ 167	$ 81	-	$ 431
Investment in nonconsolidated affiliates	-	-	-	$ 225	-	-	$ 225
Net property	$ 13	$ 136	$ 135	120	$ 8	$ 12	424
Finite-lived intangible assets, net	-	2	9	2	1	-	14
Assets held for sale - noncurrent	$ 13	$ 138	$ 144	$ 347	$ 9	$ 12	$ 663
Pension and other postretirement benefits	-	-	-	-	-	$ 66	$ 66
Liabilities held for sale - noncurrent	-	-	-	-	-	$ 66	$ 66

The definitive agreement also provides for a working capital adjustment as part of the transaction. Certain of the businesses within Styron have associated goodwill of approximately $120 million at March 31, 2010.

Divestiture of the Calcium Chloride Business

On June 30, 2009, the Company completed the sale of the Calcium Chloride business for net proceeds of $204 million and recognized a pretax gain of $162 million. The results of the Calcium Chloride business are reflected as "Income from discontinued operations, net of income taxes" in the consolidated statements of income for all periods presented.

The following table presents the results of discontinued operations:

Discontinued Operations

In millions	Three Months Ended March 31,2009
Net sales	$ 46
Income before income taxes	$ 18
Provision for income taxes	$ 7
Income from discontinued operations, net of income taxes	$ 11

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Divestiture Required as a Condition to the Acquisition of Rohm and Haas
As a condition of the United States Federal Trade Commission's ("FTC's") approval of the April 1, 2009 acquisition of Rohm and Haas, the Company is required to divest a portion of its acrylic monomer business, a portion of its specialty latex business and its hollow sphere particle business. On July 31, 2009, the Company entered into a definitive agreement that included the sale of the portion of its acrylic monomer business and the portion of its specialty latex business. The sale was completed on January 25, 2010. Additional impairment charges of $8 million for these assets were recognized in the first quarter of 2010 (see Note C).

The Company has entered into a definitive agreement for the sale of its hollow sphere particle business; closing of the sale is pending regulatory approval.

NOTE F – INVENTORIES

The following table provides a breakdown of inventories:

Inventories In millions	March 31, 2010	Dec. 31, 2009
Finished goods	$ 4,090	$ 3,887
Work in process	1,610	1,593
Raw materials	684	671
Supplies	636	696
Total inventories	$ 7,020	$ 6,847

The reserves reducing inventories from the first-in, first-out ("FIFO") basis to the last-in, first-out ("LIFO") basis amounted to $1,005 million at March 31, 2010 and $818 million at December 31, 2009.

NOTE G – GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the carrying amount of goodwill by operating segment:

Goodwill In millions	Electronic and Specialty Materials	Coatings and Infra-structure	Health and Ag Sciences	Perf Systems	Perf Products	Basic Plastics