MILLENNIUM CHEMICALS INC
Form 10-Q/A
July 06, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended March 31, 2001

OR

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

For the transition period from ____ to _____
Commission file number 1-12091

MILLENNIUM CHEMICALS INC.
(Exact name of registrant as specified in its charter)

Delaware	22-3436215
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

230 Half Mile Road
Red Bank, New Jersey 07701
(Address of principal executive offices)
732-933-5000
(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
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 63,428,561 shares of Common Stock, par value $.01 per share, as of May 3, 2001, excluding 14,468,025 shares held by the registrant, its subsidiaries and certain Company trusts, which are not entitled to vote.

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EXPLANATORY NOTE

Millennium Chemicals Inc. (the "Company") is filing this amendment to its Form 10-Q for the quarter ended March 31, 2001 to revise the Supplemental Financial Information of the Company that was included in Note 9 to the Consolidated Financial Statements of the Company filed as part of Item 1 to such Form 10-Q. Such revised Supplemental Financial Information includes revisions to disclose the financial position, results of operations and cash flows of the Company, Millennium America Inc., an indirect, wholly owned subsidiary of the Company ("Millennium America"), and subsidiaries of the Company other than Millennium America. Item 1, as amended, is hereby provided in its entirety.

ITEM 1. FINANCIAL STATEMENTS

MILLENNIUM CHEMICALS INC.
Consolidated Balance Sheets
(Dollars In Millions, Except Share Data)

	March 31, 2001 (Unaudited)	December 31, 2000
Assets		
Current assets		
Cash and cash equivalents	$ 58	$ 107
Trade receivables, net	297	306
Inventories	352	373
Other current assets	85	101
Total current assets	792	887
Property, plant and equipment, net	929	957
Investment in Equistar	738	760
Other assets	228	225
Goodwill	388	391
Total assets	$ 3,075	$ 3,220
Liabilities and shareholders' equity		
Current liabilities		

Notes payable	$ 50	$ 39
Current maturities of long-term debt	352	391
Trade accounts payable	144	165
Accrued expenses and other liabilities	188	188
Total current liabilities	734	783
Long-term debt	764	767
Deferred income taxes	9	19
Other liabilities	624	646
Total liabilities	2,131	2,215
Commitments and contingencies (Note 7)		
Minority interest	20	22
Shareholders' equity		
Preferred stock (par value $.01 per share, authorized 25,000,000 shares, none issued and outstanding)	-	-
Common stock (par value $.01 per share, authorized 225,000,000 shares; 77,896,586 shares issued at March 31, 2001 and December 31, 2000, respectively)	1	1
Paid in capital	1,322	1,326
Retained earnings	31	55
Unearned restricted shares	(21)	(25)
Cumulative other comprehensive loss	(141)	(107)
Treasury stock (at cost, 14,463,016 and 13,747,228 shares at March 31, 2001 and December 31, 2000, respectively)	(282)	(282)
Deferred compensation	14	15
Total shareholders' equity	924	983
Total liabilities and shareholders' equity	$ 3,075	$ 3,220

See Notes to Consolidated Financial Statements

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MILLENNIUM CHEMICALS INC.
Consolidated Statements of Operations
(Dollars in Millions, Except Share Data)

Three Months Ended March 31,

	2001	2000
	(Unaudited)	
Net sales	$ 444	$ 423
Operating costs and expenses		
Cost of products sold	343	300
Depreciation and amortization	28	27
Selling, development and administrative expense	43	50
Restructuring and other charges	5	-
Operating income	25	46
Interest expense	(22)	(19)
Interest income	1	1
Equity in (loss) earnings of Equistar	(24)	14
Other income, net	-	3
(Loss) income from continuing operations before provision for income taxes and minority interest	(20)	45
Benefit (provision) for income taxes	6	(17)
(Loss) income from continuing operations before minority interest	(14)	28
Minority interest	(1)	(3)
Net (loss) income	$ (15)	$ 25
Net (loss) income per share - basic	$ (0.24)	0.38
Net (loss) income per share - diluted	$ (0.24)	$ 0.37

See Notes to Consolidated Financial Statements

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MILLENNIUM CHEMICALS INC.
Consolidated Statements of Cash Flows
(Dollars in Millions)

	Three Months Ended March 31, 2001	2000
	(Unaudited)	
Cash flows from operating activities		
Net (loss) income	$ (15)	$ 25
Adjustments to reconcile net (loss)		

income to net cash provided by operating activities		
Depreciation and amortization	28	27
Deferred income tax (benefit) provision	(3)	3
Restricted stock amortization	(1)	-
Equity in loss (earnings) of Equistar	24	(14)
Minority interest	1	3
Changes in assets and liabilities		
Increase in trade receivables	(1)	(29)
Decrease in inventories	6	15
Decrease in other current assets	3	21
(Increase) decrease in investments and other assets	(8)	2
Decrease in trade accounts payable	(14)	(33)
Increase in accrued expenses and other liabilities and income taxes payable	-	23
Decrease in other liabilities	(14)	(9)
Cash provided by operating activities	6	34
Cash flows from investing activities		
Capital expenditures	(28)	(21)
Distributions from Equistar	-	-
Proceeds from sale of fixed assets	2	2
Cash used in investing activities	(26)	(19)
Cash flows from financing activities		
Dividends to shareholders	(9)	(9)
Repurchases of common stock	-	(23)
Proceeds from long-term debt	25	26
Repayment of long-term debt	(54)	(34)
Increase in notes payable	11	5
Cash used in financing activities	(27)	(35)
Effect of exchange rate changes on cash	(2)	(2)
Decrease in cash and cash equivalents	(49)	(22)
Cash and cash equivalents at beginning of year	107	110
Cash and cash equivalents at end of period	$ 58	$ 88

See Notes to Consolidated Financial Statements

MILLENNIUM CHEMICALS INC.
Consolidated Statements of Changes in Shareholders' Equity
(In Millions) (Unaudited)

	Common Stock Shares	Common Stock Amount	Treasury Stock	Deferred Compensation	Paid Capit
Balance at December 31, 2000	64	$ 1	$ (282)	$ 15	$1,32
Comprehensive income					
Net loss					
Other comprehensive income					
Unrealized loss on cash flow hedges					
Currency translation adjustment					
Total comprehensive loss	-	-	-	-	
Amortization and adjustment of unearned restricted shares					(
Issuance of shares from employee benefit plan trusts			1	(1)	
Shares purchased by rabbi trust			(1)		
Dividend to shareholders					
Balance at March 31, 2001	64	$ 1	$ (282)	$ 14	$1,32

	Unearned Restricted Shares	Cumulative Other Comprehensive Loss	Total
Balance at December 31, 2000	$ (25)	$ (107)	$ 983
Comprehensive income'			
Net loss			(15)
Other comprehensive income			-
Unrealized loss on cash flow hedges		(6)	(6)
Currency translation adjustment			
Total comprehensive loss	-	(34)	(49)
Amortization and adjustment of unearned restricted shares	4		-
Issuance of shares from employee benefit plan trusts			-
Shares purchased by rabbi trust			(1)
Dividend to shareholders			(9)
Balance at March 31, 2001	$ (21)	$ (141)	$ 924

See Notes to Consolidated Financial Statements

MILLENNIUM CHEMICALS INC.
Notes to Consolidated Financial Statements
(Dollars in Millions, Except Share Data)

Note 1--Description of Company

Millennium Chemicals Inc. (the "Company") is a major international chemical company, with leading market positions in a broad range of commodity, industrial, performance and specialty chemicals, operating through its subsidiaries: Millennium Inorganic Chemicals Inc. (and its non-United States affiliates), Millennium Petrochemicals Inc. and Millennium Specialty Chemicals Inc.; and, through its interest in Equistar Chemicals, LP ("Equistar"), a joint venture among the Company, Lyondell Chemical Company ("Lyondell") and Occidental Petroleum Corporation ("Occidental").

The Company and Occidental each have a 29.5% interest in Equistar and Lyondell has a 41% interest. Equistar owns and operates the petrochemical, polymer and derivative businesses contributed to it by its partners. Equistar is managed by a Partnership Governance Committee consisting of representatives of each partner. Approval of Equistar's strategic plans and other major decisions require the consent of the representatives of the three partners. All decisions of Equistar's Governance Committee that do not require unanimity among the partners may be made by Lyondell's representatives alone. The Company accounts for its interest in Equistar using the equity method.

In March 2001, the Company restructured its operations into two business units, the "Growth and Development" unit and the "Operational Excellence" unit. The Growth and Development unit will focus on identifying, developing and managing businesses that the Company believes have growth potential and operating margins exceeding chemical industry averages. The Growth and Development unit includes the Fragrance and Flavor Chemicals group and the Performance Chemicals group. The Operational Excellence unit will focus on identifying, developing and managing businesses with steady cash flow and disciplined growth, and includes the Acetyls segment and the portion of the Titanium Dioxide and Related Products segment that is not included in Performance Chemicals, as well as the interest in Equistar. In connection with this restructuring, the Company realigned its operations committee and management structure and announced the closure of its office in Cincinnati, Ohio.

The Company was incorporated on April 18, 1996, and has been publicly owned since October 1, 1996, when Hanson PLC ("Hanson") transferred its chemical operations to the Company and, in consideration, all of the then outstanding shares of the Company's common stock ("Common Stock") were distributed pro rata to Hanson's shareholders (the "Demerger").

Note 2--Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Minority interest represents the minority ownership of the Company's Brazilian subsidiary at cost. All significant intercompany accounts and transactions have been eliminated. The unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the financial statements include all adjustments necessary for a fair statement of the results of operations and financial position for the periods presented in conformity with generally accepted accounting principles. Such adjustments are normal recurring items.

Estimates and Assumptions: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the 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.

Reclassification: Certain prior year balances have been reclassified to conform with the current year presentation.

Revenue Recognition: Revenue is recognized upon transfer of title and risk of loss, which is generally upon shipment of product to the customer or upon usage of the product by the customer in the case of consignment inventories.

MILLENNIUM CHEMICALS INC.
Notes to Consolidated Financial Statements
(Dollars in Millions, Except Share Data)

Note 2--Significant Accounting Policies--Continued

Costs incurred related to shipping and handling are included in cost of products sold. Amounts billed to the customer for shipping and handling are included in sales revenue.

Cash Equivalents: Cash equivalents represent investments in short-term deposits and commercial paper with banks which have original maturities of 90 days or less. In addition, other assets include approximately $26 and $29 in restricted cash at March 31, 2001 and December 31, 2000, respectively, which is on deposit to satisfy insurance claims.

Inventories: Inventories are stated at the lower of cost or market value. For certain United States operations representing 35% and 37% of consolidated inventories at March 31, 2001 and December 31, 2000, respectively, cost is determined under the last-in, first-out (LIFO) method. The first-in, first-out (FIFO) method, or methods which approximate FIFO, are used by all other subsidiaries.

	March 31, 2001	December 31, 2000
	(Unaudited)	
Inventories		
Finished products	$ 189	$ 188
In-process products	27	26
Raw materials	86	111
Other inventories	50	48
	$ 352	$ 373

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and 5 to 25 years for machinery and equipment. Major repairs and improvements incurred in connection with substantial overhauls or maintenance turnaround are capitalized and amortized on a straight-line basis until the next planned turnaround (generally 18 months). Other less substantial maintenance and repair costs are expensed as incurred.

Capitalized Software Costs: The Company capitalizes costs incurred in the acquisition and modification of computer software used internally, including consulting fees and costs of employees dedicated solely to a specific project. Such costs are amortized over periods not exceeding 7 years and are subject to impairment evaluation under SFAS 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of."

Goodwill: Goodwill represents the excess of the purchase price over the fair value of net assets allocated to acquired companies. Goodwill is being amortized using the straight-line method over 40 years. Management periodically evaluates goodwill for impairment based on the anticipated future cash flows attributable to its operations. Such expected cash flows, on an undiscounted basis, are compared to the carrying value of the tangible and intangible assets, and if impairment is indicated, the carrying value of goodwill is adjusted. In the opinion of management, no impairment of goodwill existed at March 31, 2001.

Environmental Liabilities and Expenditures: Accruals for environmental matters are recorded in operating expenses when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties, except where payment has been received or the amount of liability or contribution by such other parties, including insurance companies, has been agreed, and are not discounted. Environmental costs are capitalized if the costs increase the value of the property and/or mitigate or prevent contamination from future operations.

Note 2--Significant Accounting Policies--Continued

Foreign Currency: Assets and liabilities of the Company's foreign subsidiaries are translated at the exchange rates in effect at the balance sheet dates, while revenue, expenses and cash flows are translated at average exchange rates for the reporting period. Resulting translation adjustments are recorded as a component of cumulative other comprehensive loss in shareholders' equity. Gains and losses resulting from changes in foreign currency on transactions denominated in currencies other than the functional currency of the respective subsidiary are recognized in income as they occur.

Derivative Instruments and Hedging Activities: All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), (2) a hedge of a forecasted transaction ("cash flow" hedge), (3) a foreign-currency fair-value or cash-flow hedge ("foreign currency" hedge) or (4) a hedge of a net investment in a foreign operation.

Changes in the fair value of a derivative that is highly effective as -- and that is designated and qualifies as -- a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current-period earnings. Changes in the fair value of a derivative that is highly effective as -- and that is designated and qualifies as -- a cash-flow hedge are recorded in Other comprehensive income ("OCI"), until earnings are affected by the variability of cash flows. Changes in the fair value of derivatives that are highly effective as -- and that are designated and qualify as -- foreign-currency hedges are recorded in either current-period earnings or OCI, depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge. If, however, a derivative is used as a hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in the cumulative translation adjustments account within shareholders' equity. For derivative instruments not designated as hedging instruments, changes in fair values are recognized in earnings in the current period.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

Income Taxes: Deferred income taxes result from temporary differences between the financial statement basis and income tax basis of assets and liabilities and are computed using enacted marginal tax rates of the respective tax jurisdictions. Valuation allowances are provided against deferred tax assets which are not likely to be realized in full. The Company and certain of its subsidiaries have entered into tax-sharing and indemnification agreements with Hanson or its subsidiaries in which the Company and/or its subsidiaries generally agreed to indemnify Hanson or its subsidiaries for income tax liabilities attributable to periods when such other operations were included in the consolidated tax returns of the Company's subsidiaries.

Research and Development: The cost of research and development efforts is expensed as incurred. Such costs aggregated $6 for each of the three months ended March 31, 2001 and 2000.

MILLENNIUM CHEMICALS INC.
Notes to Consolidated Financial Statements
(Dollars in Millions, Except Share Data)

Note 2--Significant Accounting Policies--Continued

Earnings per share: The weighted-average number of equivalent shares of Common Stock outstanding used in computing earnings per share is as follows:

	For Three Months Ended March 31, 2001	For Three Months Ended March 31, 2000
	(Unaudited)	
Basic	63,509,577	66,203,843
Options	-	-
Restricted shares	-	547,458
Diluted	63,509,577	66,751,301

The first quarter of 2001 computation of diluted earnings per share does not include 3,125 options to purchase Common Stock and 330,938 restricted shares issued under the Long Term Incentive Plan, as their effect would be antidilutive.

Note 3--Restructuring and Other Charges

During the first quarter of 2001, the Company announced the realignment of its operating and management structure to take better advantage of the Company's existing growth-oriented businesses and achieve higher returns from its operations that have lower growth rates. In connection with the realignment, the Company announced the closure of its facilities in Cincinnati, Ohio and recorded restructuring and other charges of $5. These charges included $3 of severance and other termination benefits related to the termination of about 35 employees involved in technical, marketing and administrative activities, as well as $2 related to the write-down of assets, lease termination costs and other charges associated with the Cincinnati facility. The office in Cincinnati is expected to close at the end of the second quarter of 2001.

Note 4--Long-Term Debt and Credit Arrangements

	March 31, 2001	December 31, 2000
	(Unaudited)	
Revolving Credit Facility bearing interest at the bank's prime lending rate, or at LIBOR or NIBOR plus .275% at the option of the Company plus a facility Fee of .15% to be paid quarterly	$ 350	$ 388
7% Senior Notes due 2006	500	500
7.625% Senior Debentures due 2026	249	249

Debt payable through 2007 at interest rates ranging from 2% to 9.5%	17	21
Less current maturities of long-term debt	(352)	(391)
	$ 764	$ 767

MILLENNIUM CHEMICALS INC.
Notes to Consolidated Financial Statements
(Dollars in Millions, Except Share Data)

Note 4--Long-Term Debt and Credit Arrangements--Continued

Under the Revolving Credit Agreement, as most recently amended on January 12, 2000, certain of the Company's subsidiaries may borrow up to $500 under the Company's unsecured multi-currency revolving credit facility (the "Credit Agreement"). The Company guarantees borrowings under this facility. Borrowings under the Credit Agreement may consist of standby loans or uncommitted competitive loans offered by syndicated banks through an auction bid procedure. Loans may be borrowed in U.S. dollars and/or other currencies. The proceeds from the borrowings may be used to provide working capital and for general corporate purposes.

The Company is in the process of refinancing borrowings under the Credit Agreement, which matures in late July 2001. The new borrowings are expected to have a higher interest cost than the debt currently outstanding under the Credit Agreement.

The Credit Agreement contains covenants and provisions that restrict, among other things, the ability of the Company and its material subsidiaries to: (i) create liens on any of its property or assets, or assign any rights to or security interests in future revenues; (ii) engage in sale-and-leaseback transactions; (iii) engage in mergers, consolidations or sales of all or substantially all of their assets on a consolidated basis; (iv) enter into agreements restricting dividends and advances by their subsidiaries; and, (v) engage in transactions with affiliates other than those based on arm's-length negotiations. The Credit Agreement also limits the ability of certain subsidiaries of the Company to incur indebtedness or issue preferred stock. In addition, the Credit Agreement requires the Company to satisfy certain financial performance criteria. On January 12, 2000, one of the financial covenants in the Credit Agreement was amended to permit the Company to remain compliant after the 1999 charge for loss in value of the Equistar investment. The Company is in compliance with all the covenants in the Credit Agreement.

The Senior Notes and Senior Debentures were issued by Millennium America Inc., a wholly owned subsidiary of the Company, and are guaranteed by the Company. The indenture under which the Senior Notes and Senior Debentures were issued contains certain covenants that limit, among other things: (i) the ability of Millennium America Inc. and its Restricted Subsidiaries (as defined) to grant liens or enter into sale-and-leaseback transactions; (ii) the ability of the Restricted Subsidiaries to incur additional indebtedness; and, (iii) the ability of Millennium America Inc. and the Company to merge, consolidate or transfer substantially all of their respective assets.

Note 5--Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting SFAS 133 as of January 1, 2001 was not material to the Company's financial statements.

The Company is exposed to market risk, such as changes in currency exchange rates and commodity pricing. To manage the volatility relating to these exposures, the Company selectively enters into derivative transactions pursuant to the Company's policies for hedging practices. Designation is performed on a specific exposure basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. The Company does not hold or issue derivative financial instruments for trading purposes.

Note 5--Derivative Instruments and Hedging Activities--Continued

Foreign Currency Exposure Management: The Company manufactures and sells its products in a number of countries throughout the world and, as a result, is exposed to movements in foreign currency exchange rates. The primary purpose of the Company's foreign currency hedging activities is to manage the volatility associated with foreign currency purchases and foreign currency sales. The Company primarily utilizes forward exchange contracts with maturities of less than twelve months.

In addition, the Company utilizes forward exchange contracts which qualify as cash flow hedges. These are intended to offset the effect of exchange rate fluctuations on forecasted sales and inventory purchases. Gains and losses on these instruments are deferred in OCI until the underlying transaction is recognized in earnings. The earnings impact is reported either in Net sales or Cost of products sold to match the underlying transaction being hedged. As of March 31, 2001, approximately $4 of deferred net losses on foreign currency cash flow hedges accumulated in OCI are expected to be reclassified to earnings during the next twelve months.

The Company hedges its net investment position in major currencies. To accomplish this, the Company borrows directly in foreign currencies and designates a portion of the foreign currency debt as a hedge of net investments. Currency effects of these hedges, reflected in the cumulative translation section of shareholders' equity, produced a $11 gain during the quarter, leaving an accumulated net balance of $38.

Commodity Price Risk Management: Raw materials used by the Company are subject to price volatility caused by weather and supply conditions and other unpredictable factors. The Company selectively uses commodity swap arrangements to manage the volatility related to anticipated purchases of natural gas with a maximum maturity of three years. These market instruments are designated as cash flow hedges. The mark-to-market gain or loss on qualifying hedges is included in OCI to the extent effective, and reclassified into cost of products sold in the period during which the hedged transaction affects earnings. The mark-to-market gains or losses on ineffective portions of hedges are recognized in cost of products sold immediately. As of March 31, 2001, approximately $1 of deferred net losses on commodity swaps accumulated in OCI are expected to be reclassified to earnings during the next twelve months. No cash flow hedges were discontinued during the quarter ended March 31, 2001.

Note 6--Related Party Transactions

One of the Company's subsidiaries purchases ethylene from Equistar at market-related prices pursuant to an agreement made in connection with the formation of Equistar. Under the agreement, the subsidiary is required to purchase 100% of its ethylene requirements for its La Porte, Texas, facility up to a maximum of 330 million pounds per year from Equistar. The agreement automatically renews annually. The initial term of the contract was through December 1, 2000 and was automatically renewed. Either party may terminate on one year's notice and neither party has provided such notice.

One of the Company's subsidiaries sells vinyl acetate monomer ("VAM") to Equistar at formula-based prices pursuant to an agreement entered into in connection with the formation of Equistar. Under this agreement, Equistar is required to purchase 100% of its VAM feedstock requirements for its La Porte, Texas, Clinton and Morris, Illinois plants, estimated to be 48 to 55 million pounds per year, up to a maximum of 60 million pounds per year ("Annual Maximum") for the production of ethylene vinyl acetate products at those locations. If Equistar fails to purchase at least 42 million pounds of VAM in any calendar year, the Annual Maximum quantity may be reduced by as much as the total purchase deficiency for one or more successive years. In order to reduce the Annual Maximum quantity, Equistar must be notified within at least 30 days prior to restricting the VAM purchases provided that the notice is not later than 45 days after the year of the purchase deficiency. The agreement automatically renews annually. The initial term of the contract was through December 31, 2000 and was automatically renewed. Either party may terminate on one year's notice and neither party has provided such notice.

(Dollars in Millions, Except Share Data)

Note 6--Related Party Transactions--Continued

One of the Company's subsidiaries and Equistar have entered into various operating, manufacturing and technical service agreements. These agreements provide the subsidiary with certain utilities, administrative office space, and health, safety and environmental services.

Note 7--Commitments and Contingencies

Legal and Environmental: The Company and various of its subsidiaries are defendants in a number of pending legal proceedings incidental to present and former operations. These include several proceedings alleging injurious exposure of the plaintiffs to various chemicals and other materials manufactured by the Company's current and former subsidiaries. Typically, such proceedings involve large claims made by many plaintiffs against many defendants in the chemical industry. The Company does not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect upon the consolidated financial position, results of operations or cash flows of the Company.

Together with other alleged past manufacturers of lead pigments for use in paint and lead-based paint, a former subsidiary of a discontinued operation has been named as a defendant or third party defendant in various legal proceedings alleging that it and other manufacturers are responsible for personal injury and property damage allegedly associated with the use of lead pigments in paint. The legal proceedings seek recovery under a variety of theories, including negligence, failure to warn, breach of warranty, conspiracy, market share liability, fraud, misrepresentation and nuisance. The plaintiffs in these actions generally seek to impose on the defendants responsibility for alleged damages and health concerns associated with the use of lead-based paints. These cases are in various pre-trial stages. The Company is vigorously defending all litigation related to the use of lead. Although liability, if any, that may result is not reasonably capable of estimation, the Company believes that, based on information currently available, the disposition of such claims in the aggregate should not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Certain of the Company's subsidiaries have been named as defendants, potentially responsible parties ("PRPs"), or both, in a number of environmental proceedings associated with waste disposal sites and facilities currently or previously owned, operated or used by the Company's subsidiaries or their predecessors, some of which disposal sites or facilities are on the Superfund National Priorities List of the United States Environmental Protection Agency ("EPA") or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage, or both. Certain of these proceedings involve claims for substantial amounts, individually ranging in estimates from less than $0.3 to $29. One potentially significant matter in which a Company subsidiary is a PRP concerns alleged PCB contamination of a section of the Kalamazoo River from Kalamazoo, Michigan, to Lake Michigan for which a remedial investigation/feasibility study has been completed and submitted to the State of Michigan. This matter has been stayed and now is being addressed through the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") by the Kalamazoo River Study Group, of which the Company's subsidiary is a member.

Celanese International Corporation ("Celanese") filed suit in 1999 against a Company subsidiary alleging infringement of a Celanese patent relating to acetic acid production technology. In this suit, Celanese seeks monetary damages and injunctive relief. The Company has substantial defenses to this lawsuit and is vigorously defending it.

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MILLENNIUM CHEMICALS INC.
Notes to Consolidated Financial Statements
(Dollars in Millions, Except Share Data)

Note 7--Commitments and Contingencies--Continued

The Company believes that the range of potential liability for environmental and other legal contingencies, collectively, but which primarily relates to environmental remediation activities and other environmental proceedings, is between $100 and $104 and has accrued $104 as of March 31, 2001. The Company's ultimate liability in connection with these proceedings may depend on many factors, including the volume of material contributed to the sites, the number of other PRPs and their financial viability and the remediation methods and technologies to be used.

Purchase Commitments: The Company has various agreements for the purchase of ore used in the production of titanium dioxide that expire in 2002. Total commitments to purchase ore under these agreements is approximately $345. The Company has certain other agreements to purchase raw materials and utilities with various terms extending through 2020. The obligation under these agreements is approximately $446.

Other Contingencies: The Company is organized under the laws of Delaware and is subject to United States federal income taxation of corporations. However, in order to obtain clearance from the United Kingdom Inland Revenue as to the tax-free treatment of the Demerger stock dividend for United Kingdom tax purposes for Hanson and Hanson's shareholders, Hanson agreed with the United Kingdom Inland Revenue that the Company will continue to be centrally managed and controlled in the United Kingdom at least until September 30, 2001. Hanson also agreed that the Company's Board of Directors will be the only medium through which strategic control and policy-making powers are exercised, and that board meetings almost invariably will be held in the United Kingdom during this period. The Company has agreed not to take, or fail to take, during such five-year period, any action that would result in a breach of, or constitute non-compliance with, any of the representations and undertakings made by Hanson in its agreement with the United Kingdom Inland Revenue and to indemnify Hanson against any liability and penalties arising out of a breach of such agreement. The Company's By-Laws provide for similar constraints. The Company and Hanson estimate that such indemnification obligation would have amounted to approximately $421 if it had arisen during the twelve months ended September 30, 1997, and that such obligation will decrease by approximately $84 on each October 1st prior to October 1, 2001, when it will expire.

If the Company ceases to be a United Kingdom tax resident at any time, the Company will be deemed for purposes of United Kingdom corporation tax on chargeable gains to have disposed of all of its assets at such time. In such a case, the Company would be liable for United Kingdom corporation tax on chargeable gains on the amount by which the fair market value of those assets at the time of such deemed disposition exceeds the Company's tax basis in those assets. The tax basis of the assets would be calculated in pounds sterling, based on the fair market value of the assets (in pounds sterling) at the time of acquisition of the assets by the Company, adjusted for United Kingdom inflation. Accordingly, in such circumstances, the Company could incur a tax liability even though it has not actually sold the assets and even though the underlying value of the assets may not actually have appreciated (due to currency movements). Since it is impossible to predict the future value of the Company's assets, currency movements and inflation rates, it is possible to predict the magnitude of such liability, should it arise.

MILLENNIUM CHEMICALS INC.
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Note 8--Operations by Business Segment

The Company's principal operations are managed and grouped as three separate business segments: Titanium Dioxide and Related Products; Acetyls; and, Fragrance and Flavor Chemicals.

The following is a summary of the Company's operations by business segment:

	Three Months Ended March 31, 2001	2000
	(Unaudited)	
Net sales		
Titanium Dioxide and Related Products	$ 319	$ 323
Acetyls	99	69
Fragrance and Flavor Chemicals	26	31
Total	$ 444	$ 423
Operating income (loss)		
Titanium Dioxide and Related Products	$ 29	$ 32
Acetyls	(3)	7
Fragrance and Flavor Chemicals	4	7
Unallocated costs (1)	(5)	-
Total	$ 25	$ 46
Depreciation and amortization		
Titanium Dioxide and Related Products	$ 21	$ 21
Acetyls	5	4

Fragrance and Flavor Chemicals	2	2
Total	$ 28	$ 27
Capital expenditures		
Titanium Dioxide and Related Products	$ 23	$ 16
Acetyls	2	2
Fragrance and Flavor Chemicals	1	3
Corporate	2	-
Total	$ 28	$ 21

(1) Represents restructuring and other charges

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Note 9 -- Supplemental Financial Information

Millennium America Inc. ('Millennium America'), a wholly owned indirect subsidiary of Millennium Chemicals Inc. (the 'Company'), is a holding company for all of the Company's operating subsidiaries other than its operations in the United Kingdom, France, Brazil and Australia. Millennium America is the issuer of the 7% Senior Notes due November 15, 2006 and the 7.625% Senior Debentures due November 15, 2026 and is the principal borrower under the Company's Revolving Credit Agreement. The Senior Notes and Senior Debentures, as well as the borrowings under the Revolving Credit Agreement, are guaranteed by the Company. Accordingly, the following Condensed Consolidating Balance Sheets at March 31, 2001 and December 31, 2000, Condensed Consolidating Statements of Operations for the three months ended March 31, 2001 and 2000, and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2001 and 2000 are provided for Millennium Chemicals Inc. as supplemental financial statements of the Company to disclose the financial position, results of operations and cash flows of the Company, Millennium America and all other subsidiaries of the Company other than Millennium America. The investment in subsidiaries is accounted for on the equity method.

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	Millennium America Inc. (Issuer)	Millennium Chemicals Inc. (Guarantor)	Non-guarantor Subsidiaries	Eliminations
March 31, 2001 (Unaudited)				
ASSETS				
Inventories......................	$	$	$ 352	
Other current assets.............	1		439	
Property, plant and equipment, net............................			929	
Investment in Equistar...........			738	
Investment in subsidiaries........	5,201	984		(6,185)
Other assets.....................	3		225	
Goodwill.........................			388	
Due from parent and affiliates....	673			(673)
Total assets.................	$5,878	$ 984	$3,071	$ (6,858)
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current maturities of long-term debt...........................	$ 350	$	$ 2	$
Other current liabilities.........	56		326	
Long-term debt....................	749		15	
Other liabilities................		3	630	
Due to parent and affiliates......		57	616	(673)
Total liabilities............	1,155	60	1,589	(673)
Minority interest................			20	
Shareholders' equity.............	4,723	924	1,462	(6,185)
Total liabilities and shareholders' equity........	$5,878	$ 984	$3,071	$ (6,858)
December 31, 2000				
ASSETS				
Inventories......................	$	$	$ 373	$
Other current assets.............	1		527	
Property, plant and equipment, net............................			957	
Investment in Equistar...........			760	
Investment in subsidiaries........	5,229	1,033		(6,441)
Other assets.....................	3		208	
Goodwill.........................			391	
Due from parent and affiliates....	633			(633)
Total assets.................	$5,866	$1,033	$3,216	$ (7,074)
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current maturities of long-term				

debt...........................	$ 360	$	$ 31	$
Other current liabilities.........	24		368	
Long-term debt....................	749		18	
Other liabilities................		3	662	
Due to parent and affiliates......		47	586	(633)
	------	------	------	--------
Total liabilities............	1,133	50	1,665	(633)
Minority interest................			22	
Shareholders' equity.............	4,733	983	1,529	(6,441)
	------	------	------	--------
Total liabilities and shareholders' equity........	$5,866	$1,033	$3,216	$ (7,074)
	======	======	======	========

MILLENNIUM CHEMICALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	Millennium America Inc. (Issuer)	Millennium Chemicals Inc. (Guarantor)	Non-guarantor Subsidiaries	Eliminations	Mil Chemi Subis
	--------	-----------	------------	------------	-----
March 31, 2001 (Unaudited)					
Net sales................	$	$	$444	$ --	$
Cost of products sold.....			343		
Depreciation and amortization............			28		
Selling, development and administrative expenses................			43		
Restructuring and other charges................			5		
	----	---	----	-----	-
Operating income......	--	--	25	--	
Interest expense, net.....	(20)		(1)		
Intercompany interest income/(expense)........	27		(27)		
Loss in earnings of Equistar................			(24)		
Equity in (loss)/earnings of subsidiaries..........	(28)	8		20	
Other income (expense), net....................			(1)		
(Provision) benefit for					

income taxes...........	(2)		8		
Net (loss) income.....	$(23)	$ 8	$(20)	$ 20	$
March 31, 2000 (Unaudited)					
Net sales................	$	$	$488	$ (65)	$
Cost of products sold.....			365	(65)	
Depreciation and amortization...........			27		
Selling, development and administrative expense................			50		
Operating income......	--	--	46	--	
Interest expense, net.....	(18)				
Intercompany interest income/(expense)........	27		(27)		
Equity in earnings of Equistar...............			14		
Equity in earnings of subsidiaries..........	17	2		(19)	
Other income (expense), net....................					
(Provision) benefit for income taxes...........	(3)		(14)		
Net income (loss).....	$ 23	$ 2	$ 19	$ (19)	$

MILLENNIUM CHEMICALS INC.
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	Millennium America Inc. (Issuer)	Millennium Chemicals Inc. (Guarantor)	Non-guarantor Subsidiaries	Elimina
March 31, 2001 (Unaudited)				
Cash flow from operations.............	$(23)	$ 8	$ 1	$ 2
Cash flow from investing activities				
Capital expenditures...............			(28)	
Proceeds from sale of fixed assets..........................			2	
Cash used in investing				

activities	--	--	(26)	-
Cash flow from financing activities				
Dividends to shareholders		(9)		
Proceeds from long-term debt	25			
Repayment of long-term debt	(25)		(29)	
Intercompany	4	1	15	(2
Increase (decrease) in notes payable	19		(8)	
Cash provided by (used in) financing activities	23	(8)	(22)	(2
Effect of exchange rate changes on cash			(2)	
Increase (decrease) in cash and cash equivalents	--	--	(49)	-
Cash and cash equivalents at beginning of year			107	
Cash and cash equivalents at end of period	$ --	$--	$ 58	$--
March 31, 2000 (Unaudited)				
Cash flow from operations	$ 23	$ 2	$ 28	$(1
Cash flow from investing activities				
Capital expenditures			(21)	
Proceeds from sale of fixed assets			2	
Cash used in investing activities	--	--	(19)	--
Cash flow from financing activities				
Dividends to shareholders		(9)	--	
Repurchase of common stock			(23)	
Proceeds from long-term debt	25		1	
Repayment of long-term debt	(15)		(19)	
Intercompany	(36)	7	10	19
Increase in notes payable	3		2	
Cash (used in) provided by financing activities	(23)	(2)	(29)	19
Effect of exchange rate changes on cash			(2)	
Decrease in cash and cash equivalents	--	--	(22)	--
Cash and cash equivalents at beginning of year			110	
Cash and cash equivalents at end of period	$ --	$--	$ 88	$--

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned thereunto duly authorized.

MILLENNIUM CHEMICALS INC.

Date: July 5, 2001

/s/ John E. Lushefski

John E. Lushefski
Senior Vice President and
Chief Financial Officer
(as duly authorized officer and
principal financial officer)